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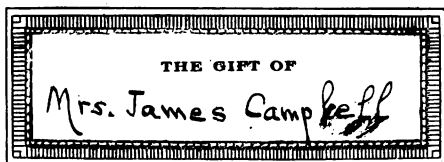
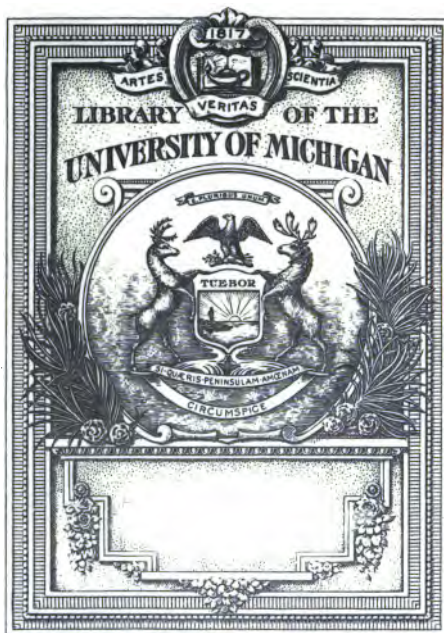
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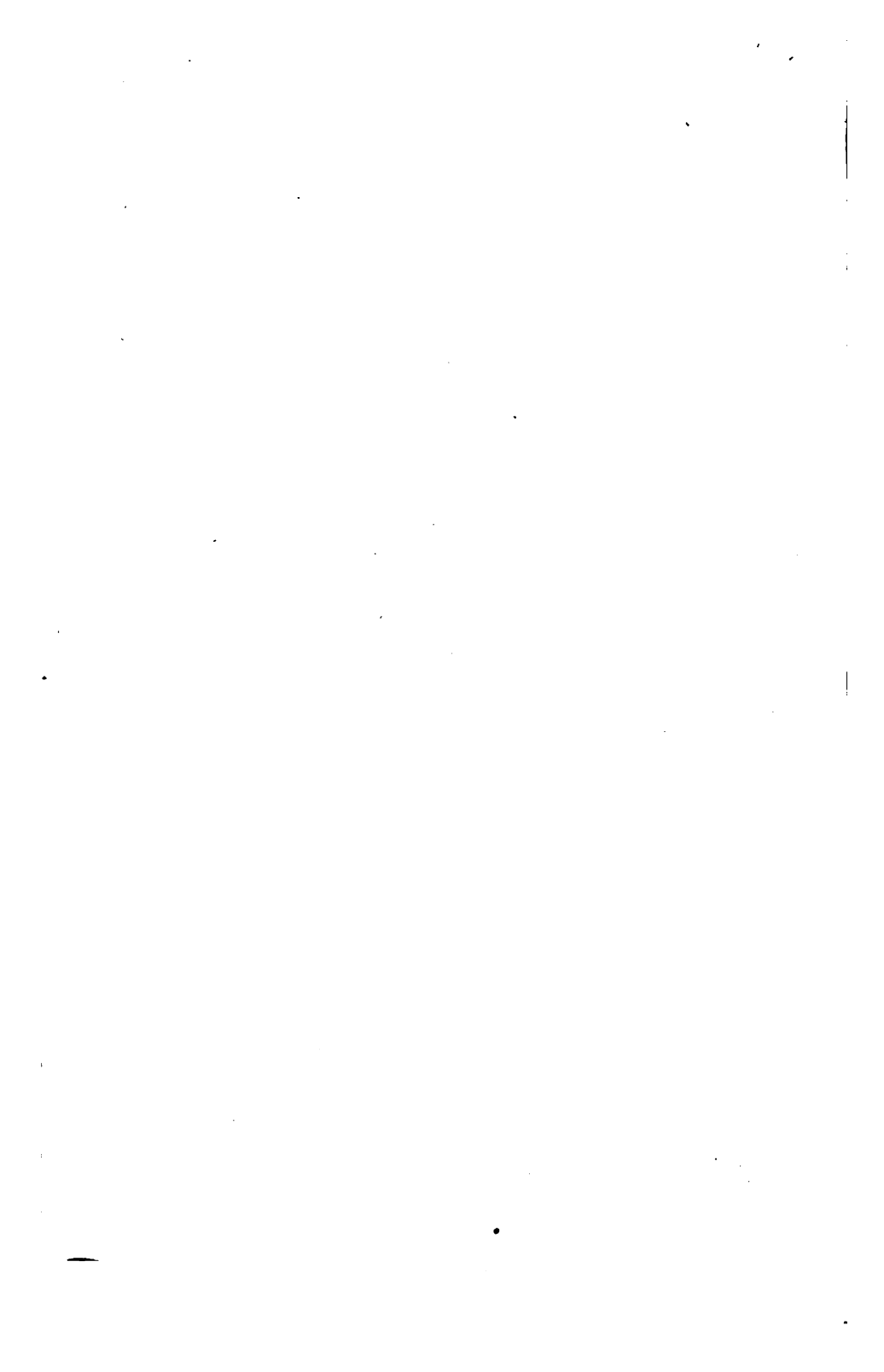
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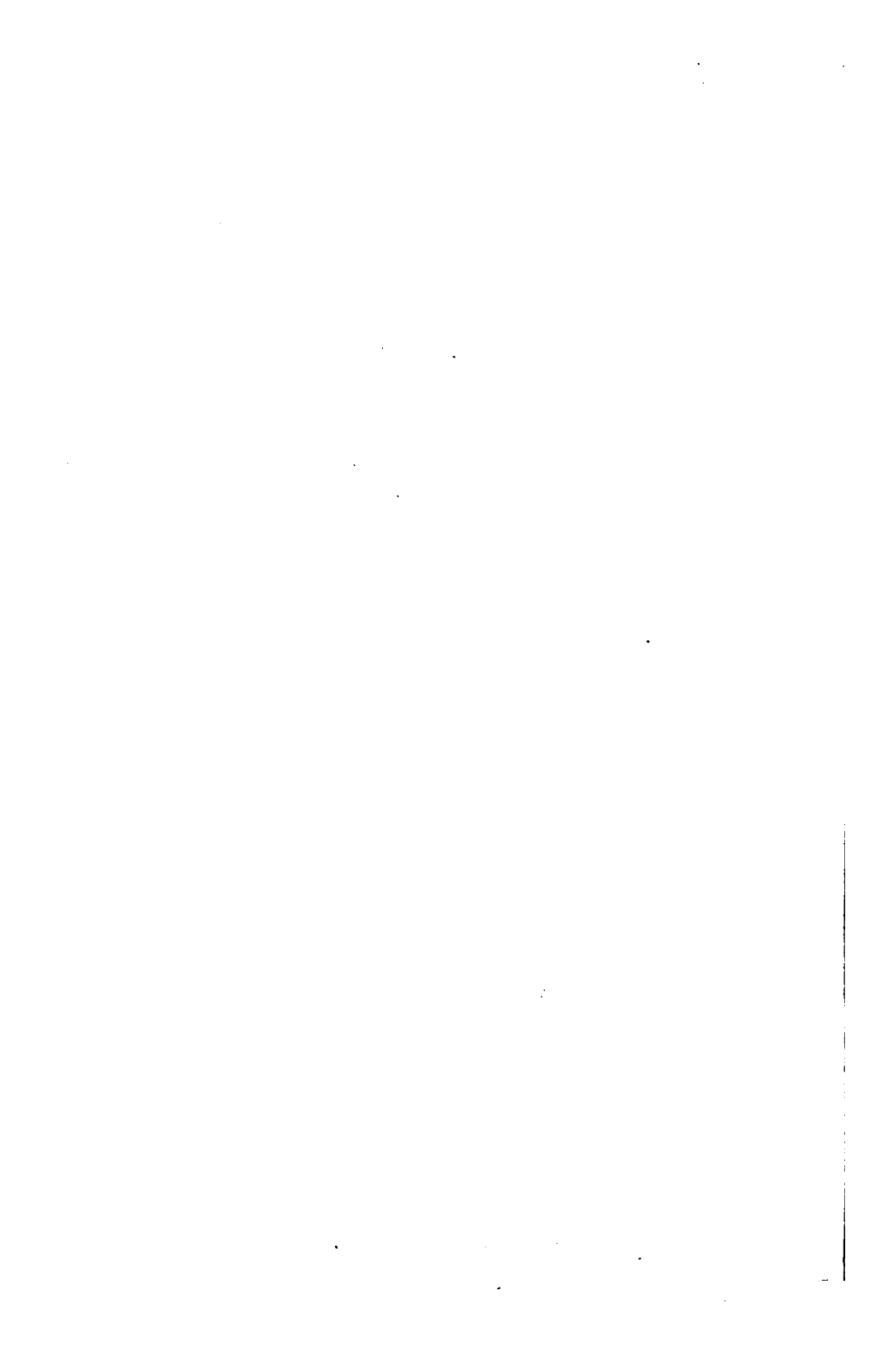
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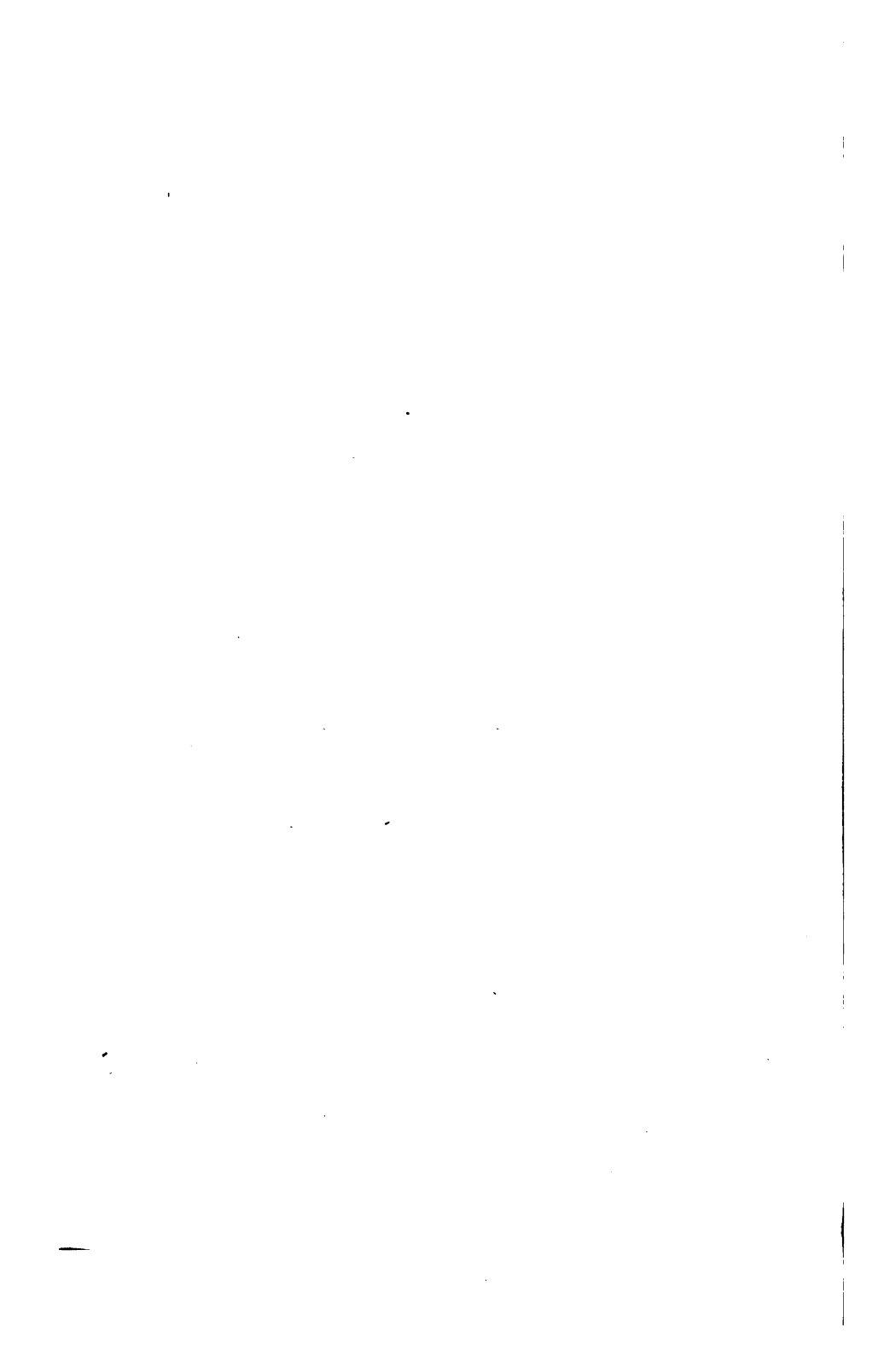
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THE
L A W S
OF
WAGES, PROFITS, AND RENT,
INVESTIGATED.

BY GEORGE TUCKER,
PROFESSOR OF MORAL PHILOSOPHY AND POLITICAL ECONOMY
IN THE UNIVERSITY OF VIRGINIA.



PHILADELPHIA:
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1837.

Mrs. James Campbell

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P R E F A C E.

THE principal doctrines maintained in the following pages constitute part of a series of lectures on Political Economy, which the author has delivered in the University of Virginia, for the last ten years. Having given to his opinions such modifications as further reflection and experience suggested, he has now committed them to the press, for the purpose partly of affording assistance to the students of the University, and partly of appealing to that test by which the merits of all speculative questions must be finally decided.

It would have been more agreeable to the author's feelings to have presented his views to the public, without imparting to them any thing of a

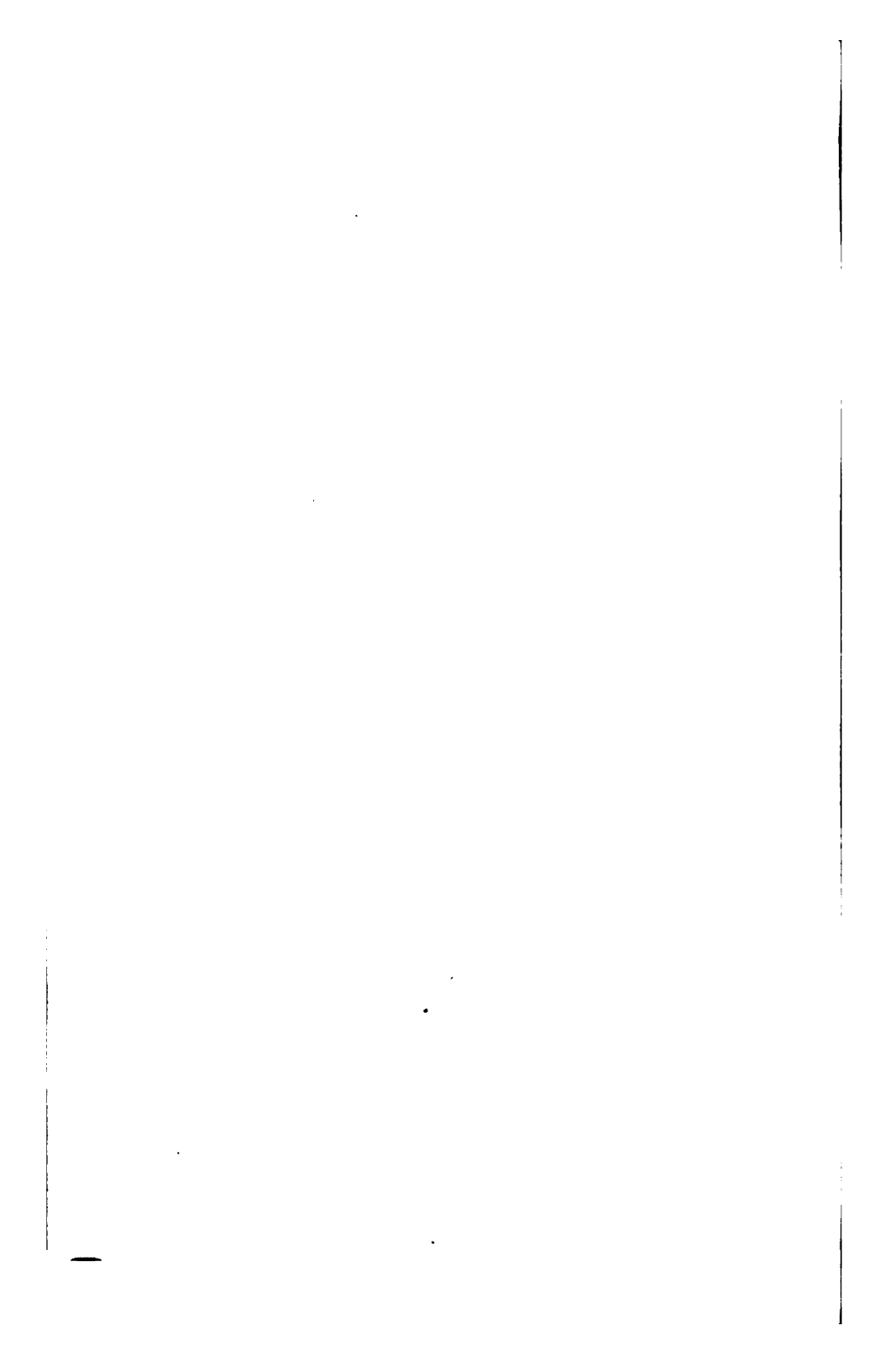
controversial character; but when theories which he believed unsound had received the sanction of so many distinguished names, and had been so generally adopted in our Universities and Colleges, it seemed essential to his own defence, as well as more just to the cause of science, to take especial notice of the theories in question, and to point out wherein he thought them erroneous.

He has long been of opinion that Mr. Ricardo, though possessing merit of a very high order as a writer on political economy, and entitled to all his reputation for a thorough knowledge of the subjects of money and finance, is mistaken in his elementary principles of the science; that the origin and progress of rents admits of a more simple and natural explanation than he has given; that his theory of wages is inconsistent with itself, and that of profits contradicted by the whole history of capital in the civilized world.

As all the revenues of the community are derived from wages, profits, or rent, it seemed to the author important that their laws should be accurately ascertained and clearly stated, since error in these

elementary principles naturally leads to false reasoning, and too probably to mischievous consequences, in their practical application. Political economy, itself the child of civilization, becomes of more and more moment with the progress of society; and our political parties, differing in every thing else, will all agree in this, that sound doctrines in this science exert a great influence on the public prosperity, in teaching governments how best they may improve the sources of national wealth, whether by regulation or forbearance, may least injuriously raise the public revenue, and most beneficially expend it. If right ways of thinking on this subject are important in all civilized communities, they are peculiarly so in popular governments, where there is always danger that public opinion may give to its errors the form and pressure of law.

University of Virginia,
Dec. 12, 1837.



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THE LAWS
OF
WAGES, PROFITS, AND RENT,
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INTRODUCTION.

Value—Its different kinds. Labour measures the value of all articles produced by labour. Value of those produced wholly or partly by nature. Effect of supply and demand. Of monopoly prices. The cost of transportation. Different measures compared.

As political economists disagree in their theories of value, and these theories, more or less, enter into all our reasonings on the sources of wealth, it seems proper to notice such principles of exchangeable value as have been adopted by the author, and relied upon in the following pages.

Value, in its largest sense, means the feeling with which we regard whatever can render us benefit or afford us gratification. In this sense it is an emotion

of our minds comprehending all that can impart pleasure to our senses, our tastes, or desires; as health, talents, friendship, reputation, land, money, and goods. It varies according to the endless diversities of objects, and of human tastes or opinions, and it is susceptible of all degrees of intensity, from a simple wish to the most passionate desire.

A part and but a part of these objects of value are transferable from individual to individual; and as men differ in their estimate of the same objects, they are continually impelled to make exchanges, by which each party obtains something that he prefers to that which he parts with. This is so universal a practice that Adam Smith is half inclined to regard it as one of our original propensities. There seems, however, no reason to consider it as any thing more than self-love, seeking the gratification of some animal want, or natural desire, according to the real or imaginary properties of the object sought to be obtained.

It is only by these exchanges that the emotion can manifest itself; and therefore political economy, which aims to multiply objects of value, and inquires into the laws of their production and consumption, treats only of *exchangeable value*.

In every exchange, under which is comprehended all cases of sale, as well as barter, each party endeavours to obtain as much and to give as little as he can. The terms, therefore, on which an exchange has been actually made, do not necessarily

indicate the value that either party sets on either commodity, since each might have been willing to give more for that he received, or to take less for that he transferred. The exchange merely proves that each preferred the article he received to that he parted with, and that they did not precisely agree about the relative value of the two articles.

The case, however, is different where exchanges in articles of the same description have become frequent. By the mutual efforts of the several competitors to get as much and to give as little as possible, they finally settle down on terms which are uniform, or approach to uniformity; and these terms constitute what is called the *market price*.

In all exchanges each commodity is the measure of the value of the other: that is to say, neither commodity can be estimated without estimating both. Thus, when we say that 100 pounds of tobacco is worth 200 pounds of flour, the value of the flour determines that of the tobacco, as much as the value of the tobacco determines that of the flour; and if their relative values were to change, so that 100 pounds of flour was worth 100 pounds of tobacco, the alteration might be the effect either of a rise in the price of flour, or a fall in that of tobacco, or partly the one, and partly the other. Nor could we know to which of the three causes to ascribe the change in their relative values, except by comparing them with other commodities before and after the change. Thus, if it appeared that while a given

quantity of flour would purchase twice as much tobacco as before, it would purchase no more of other articles, it would follow that flour had been stationary in price, and tobacco had fallen. If, on the other hand, it was found that flour would purchase twice as much of all other commodities as well as of tobacco, it would follow that flour had risen in price and tobacco had remained stationary: and lastly, if, on a similar comparison, it appeared not only that flour would purchase more of other commodities, but also that tobacco would purchase less, then the inference would be that the change in their relative prices had been brought about partly by the rise of flour, and partly by the fall of tobacco.

The preceding inferences assume that the other commodities with which flour and tobacco were compared have been stationary in their value. But they also are liable to the same fluctuations as flour and tobacco; and it is only when the comparison has been made with many articles, whereby the rise of one commodity is likely to be compensated by the fall of another, that we can come to a probable result.

In like manner, if it appeared that both flour and tobacco, when compared with other articles as before, would purchase a greater amount of them, though they retained the same relative value to one another, it would follow that they had both risen, or if they purchased a less amount, that they had both fallen.

Such commodities as are the products of human industry will ordinarily be valued according to the amount of labour expended in their production, so that equal quantities of labour will exchange for equal quantities. The self-interest of both parties will prevent one from giving more and the other from taking less. This has been called the *natural price* of this class of commodities.

The natural price does not invariably coincide with the market price; but they disagree whenever, from any cause, the supply of a commodity has exceeded the demand for it, at its natural price, or has fallen short of the same demand. In the first case, of redundant supply, the price falls, since it is only by a fall of price that some are enabled to become purchasers who had not purchased before, and others are induced to add to purchases previously made. In the last case, of diminished supply, the price as naturally rises, as only those who will give an extra price can obtain the article. In both cases the alteration of the price has the effect of contracting or enlarging the effective demand, so as to adjust it to the altered supply.

In the alteration of price, produced by a change in the proportion between the supply and the demand, the effects of an increased supply and of a diminished demand, are precisely the same in lowering the price, provided the same change in their relation to each other is produced in both cases. Thus, if the supply of wine in a town be doubled, the effect on

the price will be the same as if, from any cause, the consumption was diminished one half. In like manner, the same rise of price takes place from a reduction of the supply and an equivalent increase of the demand.

The sum of the effect which any of these alterations in the supply or the demand has on the price, is very various in different commodities, and no formula can be laid down for all cases. An increased supply of one-fourth, or its equivalent reduction of demand, may lower the price much more or much less than one-fourth. So a diminished supply or increased demand may not proportionally raise the price. The extent of the alteration of price will depend on the greater or less necessity of the article, and the degree of expansion or contraction of which its consumption is susceptible. In a besieged city, a diminution of the supply of provisions one-fourth, may raise the price to double or quadruple. The increased production in a plentiful year to double the ordinary crop, may not lower the price to any thing like one half. Though the quantity of gold and silver in circulation throughout the world, is supposed to have received a tenfold increase by the discovery of America, the price has not fallen to one-tenth, but only to a third or a fourth of their former price.

Though there are these occasional deviations from the natural price, they are only temporary in such articles as are produced chiefly by human labour,

which soon exhibit a tendency to return to this price, whether they have accidentally risen above, or fallen below it; so that, as to this class of commodities, the labour expended in their production, is, with occasional exceptions, equivalent to the labour they will command in the market.

But there is a class of articles useful to man, which are wholly produced by nature, in which man has no other agency in furnishing them for the market than in finding them and removing them from their natural repositories; and a yet larger class which are produced partly by man and partly by nature, in both of which classes the value, so far as it is not the result of human industry, is regulated by the pleasure they confer, and the insufficiency of their supply compared with the demand. In these the competition of those who would obtain them, may cause them to exchange for much more labour in the market than it has cost to procure them. Of this character are precious stones, and other minerals, useful or desirable to man; and occasionally, all animal and vegetable substances. Where these are liberally supplied by nature in proportion to human wants, then their exchangeable value is in proportion to the labour expended in bringing them to market, and the fluctuations to which they are liable are of the same character and are governed by the same principles, as that class of commodities which are wholly the product of human labour. Of this character are all the coarser minerals, as earth,

stone, marble, and all kinds of raw produce, where there is more fertile land than can be cultivated, as in the new states of the Union. Here the ordinary market value of these articles is the labour* expended in bringing them to market. It is only where they are inadequately supplied in proportion to their necessity, or the desire of possessing them, that their value obeys a new law, and is in proportion to the force of the competition to obtain them, which again depends upon their power of affording gratification, and the inadequacy of their supply. Under this description come all the materials of human subsistence, and every kind of raw produce where population has become dense, and fertile land comparatively scarce—some of the more useful minerals as iron, salt, coal, copper, tin, and lead—the rarer products of the mineral, animal, or vegetable kingdoms, as precious stones, ivory, some furs, Tokay wine, Macouba snuff. These cannot be permanently supplied at a less price than will repay the labour of bringing them to market; but they may permanently command a higher price, whenever their quantity cannot be increased according to the labour expended. Of the same character are the finer productions of art, as the pictures and statues of celebrated masters, secrets in manufactures, and patented inventions. All commodities may, there-

* The profits of capital, which are derived from the aid it affords to labour, are meant to be here comprehended.

fore, be divided into two kinds as to their exchangeable value; one, that class, which being the product of man, will command as much labour in the market as it has cost to procure them; the other, the product in part of nature, in which the labour they will command may greatly exceed that expended in obtaining them, according to the proportion between the competition to possess them and the supply.

Where one or a few exclusively possess the means of supplying a valuable commodity, it can be obtained only by those who will give the most for it. This is what is called a monopoly price, and the monopolists may choose whether they will sell a larger quantity at a lower price, or a smaller quantity at a higher price. The price that can be obtained in either mode depends upon the eagerness and the wealth of the competitors.

The prices of that class of articles which cannot be multiplied indefinitely by human labour, or in which an additional expense of labour will not produce an equal amount of the commodity, are so similar to the prices of monopolized commodities, that they also are sometimes called *monopoly prices*.

When the proportion between the supply and the demand of articles of this class has determined their price, or exchangeable value, that value, which exceeds the amount of labour expended in its production, then attracts additional labour to a further production, which tends to lower the price,

until partly by this reduction of price, and partly by the decreasing productiveness of the same expense of labour, the value of the commodity last produced just repays the labour expended in its production. This is the case with the products of most mines, and with raw produce in densely peopled countries, having soils of all degrees of fertility. A portion of their products greatly exceeds in value the labour required to bring them to market, and another portion is the exact equivalent of that value.

Commodities are of different values in different places, from natural or accidental diversities; and the difference of price is in proportion to the expense of transportation. If commodities could be transported from place to place without delay or expense, there could be no great or lasting variation in their value at different places; because whenever any rise began to be perceived in the value of any one article, it would be immediately imported from the place where it was cheaper. This is, indeed, the case now whenever the difference in value is sufficient to defray the expense, but then the smallest difference would prompt the efforts required to restore the equality. The smaller, therefore, is the expense of transporting any commodity, (that is, the greater is its value in proportion to its bulk and weight,) the less can be the permanent difference of its value in different places. It follows that silver and *a fortiori* gold have a more uniform value throughout the world than any other commodities.

The precious stones may seem to have an advantage over gold and silver in this respect, but they are inferior to those metals in two particulars: one is, that they are not in such universal request, they being in demand only with the opulent classes, and their value is not of course so well settled; and another is, that the quantity which can be annually raised from the mines bears a larger proportion to the quantity in the world than in the case of the precious metals, so that they are liable to greater fluctuations in price from variations in the supply.

It is in consequence of this cost of transportation, that the same commodities are susceptible of very different values in different parts of the same country, according to their different degrees of abundance, and facility of production, on the one hand, and to fluctuations of demand on the other. And it is these diversities of value which give rise to an active internal commerce, wherever it is not restrained by governments, whereby every portion of the community profits by the greater abundance of other portions; and also profits most by its own abundance. It is thus that good roads and canals, by lessening the expense of transportation, conduce so much to the public prosperity and happiness.

Though some articles vary in value much less than others, none are so unvarying as to afford a uniform measure of value, suited to all times and all places. The precious metals, labour, and wheat, which are commonly referred to as the best standards,

all bear very different values, not only in different countries, but also in the same country at different times. Gold and silver, by the discovery of America, have fallen to about a third of their former price. Labour bears one price in Asia, another in Europe, and yet another in America. It bears a less price in the greater part of Europe now than it bore a century ago. Wheat, on the other hand, will exchange for more labour, and the productions of labour, than it formerly did. Each of these standards is the best for some particular purpose. Thus, for the same period, gold and silver afford a more uniform measure of value than either of the others. Through long periods of time, wheat affords a better measure than the precious metals; and it has been on this supposition that the depreciation of those metals by the discovery of America, has been inferred and estimated. Ordinary labour also affords a good measure for the same country, and it may so continue as long as the population remains stationary; but, as we shall see, its value is directly affected by an increase of numbers, so as to have very different values in different countries at the same period, and in the same country at different periods.

In general, the fluctuations in value of bread-corn and labour go hand in hand, except as one rises the other falls. On this account Mr. Malthus has suggested, that the two combined would probably present a nearer approximation to a uniform measure

of value than any thing else; and it is nothing but approximations that we can obtain, since value being an emotion of the mind, and not always exhibiting the same outward signs, in proportion to its strength, is incapable of exact measurement. We may further add that approximations of value are altogether sufficient for all the practical concerns of life, and that these, with proper caution and diligence, are always attainable. It is these only which are embraced in the following investigation.

CHAPTER I.

ON LABOUR.

How affected by the increase of population. Its fall implied in the rise of raw produce. Its means of subsistence a varying quantity. The limit to the fall of wages. How its decline may be counteracted. Illustrations. Wages in different countries. Improvement in husbandry. How the rise of raw produce and fall of labour affect the price of commodities.

IN the early stages of society, when mankind are thinly scattered over the earth, and when their efforts and ingenuity have not yet been tasked to make the soil support a teeming population, labour is the general measure of exchangeable value. What it ordinarily cost two days' labour to procure would exchange for double of that which ordinarily cost the labour of one day, supposing the labour, in both cases, not to differ materially in irksomeness or intensity: since equal quantities of pain or privation would require equal compensations of pleasure, and there would not be much difference either in the

tastes or faculties of individuals, at that period. With the principle of exchange thus modified, the product of one day's toilsome and distasteful labour might exchange for much more of that which was achieved by a lighter, safer, and more agreeable employment.

Disregarding, however, all those qualifying circumstances which either enhance or diminish the value of labour, we may fairly presume that equal quantities of labour would exchange for equal quantities. And after the growing numbers of mankind had stimulated the inventive powers of man to domesticate animals, and to resort to agriculture, for the sake of providing the further means of subsistence then required, labour would continue for a time to be the chief measure of the value of all commodities as before. The fruits of the earth which it required the amount of a month's labour to sow and reap would exchange for the garments, the weapons, or utensils which were produced by the same expense of labour. It could not permanently exchange for more, for rather than give more, the manufacturer of those articles would cultivate the earth for himself; there being then, probably, no other property in the soil than for the time it was occupied, and there being more good soil than would satisfy the wants of all.

As the earth, by its spontaneous powers, supported the animals of the chase, and furnished nuts, fruits, and roots, constituting all the materials of

human subsistence, the soil would, ere this period, have had a value in the eyes of hunter tribes, and yet more with those who were of pastoral habits. But it was probably not before a considerable proportion of human subsistence was derived from the soil, that it became the property of individuals. The savage tribes, on this continent, all claim exclusive property in those portions of territory in which they have been accustomed to hunt, and they assert their right as fiercely and tenaciously to this as to any other property. But no individual of the tribe has a right to any part of the soil, except that which he occupies, though all of them cultivate small pieces of Indian corn and a few other vegetables.

In the course of time, however, land would become the exclusive property of some who, by superior strength, or courage, or address had acquired it; and the society would be divided into those who were landed proprietors, and those who were not; which last class must earn their support by becoming the hired cultivators of the soil, or by giving in exchange for the means of subsistence other products of their industry, as in the construction of houses, and the fabrication of clothes, arms, tools, and utensils.

The land, after such appropriation, might be cultivated by the proprietors themselves, or by slaves, or by retainers and dependents; for it appears by the early history of nations, that there was no uniformity in this respect. The class of artisans

and mechanics were also sometimes free, and sometimes in a state of dependence on the lord of the soil. But in whatever form the two classes of agricultural and manufacturing labour existed, the rate of exchange between labour and raw produce would continue as it was before, except so far as the labour was enhanced by greater ingenuity and skill; and whatever was the remuneration received for agricultural labour, even if it were the whole amount of the raw produce resulting from that labour, the same remuneration would be received by the manufacturing class for an equal amount of labour expended by them. Thus, if the labour of one man produced as much corn in a year as twenty could consume, after defraying the expense of the seed and the use of the instruments of husbandry, then the labour of the blacksmith, or shoemaker, or tailor, would earn the same, or nearly the same amount, in the same time. The difference could not be great, since if the agricultural labour earned more, a part of the labour that received a smaller remuneration would be diverted to agriculture, until the equilibrium was restored: and if it received higher wages, then a part of the labour employed in husbandry would be transferred to those handicraft trades that had been so profitable.

In point of fact this equal rate of exchange would be liable to constant disturbances. Whenever there was a scanty harvest, raw produce would exchange for more than the average amount of labour. Some

must then retrench from their ordinary consumption, and those would do so who were least able, or least willing, to pay the extra price which the lessened supply would necessarily occasion. In like manner, if, from any cause, there should be an inadequate supply of hats, shoes, or other articles of general consumption, competition would raise the price of those manufactured commodities.

This high exchangeable value of labour would continue as long as fertile land was abundant; as is yet the case in the western states, where a small proportion of the year's labour is sufficient to purchase as much raw produce as the labourer can consume in the year. Thus an ordinary labourer may there obtain fifteen dollars per month, and the same fifteen dollars would commonly purchase three barrels, or fifteen bushels of Indian corn, at two dollars per barrel, and three hundred pounds of beef and pork, at three dollars per hundred. If his labour employed in agriculture would earn yet more than is here mentioned, after paying the expense of cultivation, as it sometimes would, the excess would constitute rent. This, however, is as yet very small; for much that now bears the name of rent is, in fact, compensation for capital that has been expended on the land in clearing it, making fences, and other improvements, some of which must precede cultivation. The expense of clearing an acre of land of its primeval timber would often be as much as ten dollars; and even that partial and slovenly process of

merely grubbing up the shrubs and young saplings, and *girdling* or *belting* the trees would cost, at least, half as much.

But in this state of things, when labour was rewarded with all, or nearly all that it could extract from the soil, population, as we know, will rapidly increase, and in no very long period the whole of the fertile land will be occupied. As soon as this takes place, the terms on which raw produce and labour are exchanged, will begin to undergo alteration. For supposing population to continue to increase after all the most fertile land is taken into cultivation, as there will then be a greater number to derive subsistence from the soil, there will arise an increased competition among the labouring classes for their accustomed amount of raw produce, which will somewhat lower the real wages of labour, that is to say, the same amount of raw produce will exchange for a greater amount of labour. This increased demand of raw produce will be met partly by a resort to inferior soils, if there be any yet uncultivated, that will defray the expense of cultivation; partly by a more careful husbandry, which will be facilitated by the increased supply of labourers; and partly by a less liberal consumption.

By the continued operation of the same cause, the increased competition of the labouring class in consequence of the increase of population, labour will continue to exchange for less and less of raw produce, until the labourer would be obliged to give

his year's labour for a year's subsistence. Thus a labourer in the United States can earn a bushel of grain a day, in England or France scarcely a peck, and in India, often not a quart of rice.

But this subsistence, it must be recollected, is not a constant quantity, as many who have reasoned on this subject seem to consider it, but is capable of great variation, whereby the same soil is capable of supporting widely different numbers. Thus a man may consume animal food liberally or sparingly, or he may subsist wholly on vegetables; and these again furnish human aliment in very different portions. It is according as one or the other of these modes of subsistence prevails in a country, that it is capable of supporting a more or less dense population, and that the rate of exchange between labour and raw produce is eventually determined. Let us compare these different capacities of the soil.

The same piece of arable land will furnish from two to three pounds of bread for one of beef or mutton. The difference is much greater if the meat be the product of pasture land. The same piece of land will also furnish five or six times as much food in potatoes as it would in wheat. These several sorts of aliment vary also in their power of nourishment as they increase in quantity, but not in the same proportion. A pound of meat is more nutritious than a pound of wheaten bread, but far less so than *three* or even *two* pounds of such bread. Besides, a large deduction, from a third to a fourth,

must be made from the meat for the bones and other parts not edible. Thus too wheat is more nutritious than potatoes, but the difference in quantity greatly exceeds that of quality; and Adam Smith, after allowing for this difference, supposes that an acre of ground in potatoes, will yield three times as much human aliment as the same acre in wheat.

If then we suppose the same portion of soil to afford twice the means of subsistence in bread as in meat, and six times as much in potatoes, it would follow, that if a country has that degree of fertility which would enable it to support 80 persons to the square mile when they consume animal food abundantly, it might support a much larger number, that is 120, when they consumed it sparingly, a still larger number, that is 160 persons, if they subsisted on grain, and 480 persons if they subsisted altogether on potatoes. The number would vary between these extremes as the mode of subsistence was compounded of all three. Thus supposing one-fourth of the community subsisted in each of the four modes mentioned, then the population of a square mile would consist of 210 persons, thus distributed:

Consuming animal food liberally,	20 persons.
Consuming it sparingly,	30
Subsisting on grain,	40
Subsisting on potatoes,	120

210

According to the preceding rate an individual in the first case consumes the produce of 8 acres; in the second, of $5\frac{1}{3}$ acres; in the third, of 4 acres; and in the fourth, of $1\frac{1}{3}$ of an acre.

As population advances, and the means of subsistence become comparatively scarcer, a proportional number of the community must pass from one of these modes of subsistence to another; and if the lowest standard of comfort for the labouring class should be above either of these modes, and not yield to the pressure of increasing numbers, then population will become stationary. But the past history of mankind instructs us that the restraints of prudence and decent pride have never yet been sufficient to arrest the multiplying propensity, though they may check its force: and we cannot reasonably expect them to keep the population within the limit of liberal subsistence, without a more improved and enlightened state of society than has yet existed.

Thus the population of England had increased from 5,134,516 in the year 1700, to 9,187,176 in the year 1800,* and though this implies a rate of increase less than one-fourth of that which takes place in the United States, a difference that shows how much the tendency to multiplication was checked by the greater difficulty of obtaining sub-

* M'Culloch's Statistics, I., p. 406.

sistence, according to existing standards, yet it also shows that it was not sufficient to arrest it altogether. Indeed if the increase of numbers be supposed not greater than the improvements of husbandry, then there is no reason to suppose any change in the mode of subsistence at all.

But whenever a change in the labourer's mode of subsistence does take place, we see in that change conclusive evidence of the gradual reduction of his annual wages: and as the labourer is compelled to exchange the same amount of labour for a smaller amount of raw produce, the latter may be said to rise and the former to fall. Indeed, it is in no other sense that either labour or raw produce can be said to rise or fall, since the price of every thing except raw produce is determined by the labour it has cost to produce it. Hence to say that raw produce has risen, is equivalent to saying that labour has fallen, or that it requires a greater amount of labour to purchase the same amount of raw produce.

It would follow from the preceding view that, in the early stages of agriculture, the cultivator of the soil may receive for his industry the whole proceeds of the most fertile lands, after deducting the proper compensation for the use of tools and other capital, and that by a moderate exertion of his labour he earns a plentiful subsistence. That by the increased competition of labourers from a growing population, he must give a larger and larger

share of his labour for the same liberal mode of subsistence; that by the further increase of numbers he is compelled to change his mode of living, and to pass from a more generous to a simpler and cheaper aliment, giving up animal food wholly or partially, by which he gradually becomes the consumer of a less and less portion of the earth's products, and consequently the value of the whole labour which he is compelled to give for that subsistence, whatever may be its character, is continually declining when compared with raw produce.

While the steady increase of population, by augmenting the supply of labour thus naturally tends to lower its exchangeable value, compared with that which does not admit of a correspondent increase, yet this effect is checked, and may be entirely counteracted by improvements in husbandry, whereby the same soil is made to produce a greater quantity of human food. The turnip culture and the drill husbandry in England have been of that character, and the introduction of potatoes from America has produced a still greater effect. So if any particular mode of living was deemed so essential by the people of a country, that they would exert self-denial enough not to marry unless they had reached this standard of comfort, population would then be stationary, and so also would be the price of labour.

Such seems to have been the case in England and France for several centuries preceding the latter

part of the nineteenth, as is evinced by the nearly uniform real price of corn compared with labour during that period. The money price of both indeed underwent great increase in that time, but this has been very generally and properly attributed to the depreciation of the precious metals by the greater productiveness of the American mines.

During the same period there was indeed an increase of population, as we have seen, but it hardly exceeded that which an improved agriculture would have supported without a change in the mode of subsistence. For the last thirty years the rate of increase in England has been far greater than it seems to have been for many centuries before, and in that time, the price of raw produce seems to have experienced no rise except during the suspension of cash payments at the bank; but this accession of numbers has been compensated by two circumstances: one is, the increased importations of grain from Ireland, and the other, the increased consumption of potatoes. The more extensive consumption of this root in Ireland has not only favoured the great increase of population which has taken place in that country, but has enabled it to export a larger amount of grain to England.

The real wages of labour are very properly estimated not by the money which the labourer receives, which may purchase very unequal quantities of the necessaries of life, but by the amount of those necessaries which his labour will actually

purchase. Let us compare the prices of labour in different countries by this rule.

According to Arthur Young* the wages of an ordinary labourer in France in 1792, was 19 *sous* per day, when the average price of meat, per pound, was 7 *sous*, and of bread 2 *sous*. The price of similar labour in England at that time, was, according to the same authority, 33½ *sous* per day, the average price of meat per pound was 8½ *sous*, and of bread 3½ *sous*. At the same period the price of labour in the United States was 50 cents per day, that of meat 4 cents, and of flour 2 cents. At these rates the labourers in these countries would respectively earn as follows.

	<i>Pounds of Meat.</i>		<i>Pounds of Bread.</i>
In France	2½	or	9½
England	31½		9½
United States	12½		25

That the real wages of labour were so much higher in England than in France, is to be imputed to the better husbandry and greater capital of the former country, by which superiority it was much farther from that density of population it was capable of supporting. We accordingly find that the population since that time has increased much faster in England than in France.

Let us now extend the comparison to India, and we shall see a much wider difference in the wages of labour. According to the lively and seemingly

* Young's France, II., p. 315.

authentic description of Hindostan by Miss Roberts, the wages of household servants in Calcutta vary from three rupees to ten per month, out of which they feed and clothe themselves. Wages in a city are generally higher than in the country. The difference is estimated by Adam Smith at from 20 to 25 per cent. Let us, however, make no allowance for this difference, and take the average of the rate mentioned by Miss Roberts, which is six rupees and a half per month. Rating the rupee at 48 cents, this is $3\frac{12}{100}$ dollars per month, or 78 cents per week. According to the Asiatic Journal for 1826, the average price of rice in Calcutta for five months was 18s. $1\frac{1}{2}$ d. sterling, for 112 pounds, equal to $3\frac{1}{8}$ cents per pound.

The average wages of a labourer in England is estimated by Mr. Lowe at eighty pints of wheat per week, or five pecks.

In the United States, estimating the ordinary wages at three dollars per week, (and it is rarely so low when the labourer supports himself, but commonly much higher,) wheat at one dollar per bushel, and Indian corn at fifty cents, then the comparison of the weekly wages in the three countries would stand thus: supposing a pound of rice to be equivalent to an English pint.

	<i>Money.</i>	<i>Grain.</i>
In India,	- \$0 78 =	20 $\frac{3}{4}$ pints of rice.
In England,	- 1 68 =	80 pints of wheat.
In the United States,	3 00 =	192 pints of wheat, or 384 pints of Indian corn.

According to this comparative view, the labourer in England receives nearly four times as much of the principal article of subsistence, (supposing a pint of rice and a pint of wheat to contain equal nutriment,) as the labourer in India; and the labourer in the United States more than nine times as much. And if we take into account that the wages of the country labourer in England have been estimated by some writers at only from sixty to sixty-five pints, that the average wages of the various menials in a large establishment in Calcutta must greatly exceed those of the ordinary country labourer, and that the labourer in the United States receives two meals a day in addition to his money wages, the real difference is not much short of double of that exhibited in the above table.

We here see how the increased supply of labour, in proportion to the means of rewarding it, has the same effect in lowering its price that it has on every thing else. The human machine is cheaper or dearer, according as it is nurtured by a cheaper or dearer aliment; and one species of aliment is naturally cheaper than another, supposing the expense of cultivation equal in proportion to the quantities ordinarily produced by the same portion of soil.

Nor would any improvements in agriculture permanently prevent this result, in consequence of the powerful tendency of mankind to multiply with the increase of the means of subsistence. The only effectual corrective is the prevalence of the pride of

independence and that prudent foresight which shall, by preventing marriage, except where the parties are able to support a family in a way they themselves have been accustomed to live, be sufficient to keep the population stationary.

Since raw produce is constantly rising and labour constantly falling with the progress of society, it follows that the prices of commodities must also rise or fall through different periods of their progress, according as one or the other constitutes the larger portion of such commodity. It therefore follows that all the finer manufactures, in which the quantity of material is small, will decline in value with the decline in labour, and be cheaper in densely peopled countries. But this natural advantage may be compensated by machinery, whereby brute matter is made to perform the offices of human labour. Thus formerly fine muslins were procured wholly from India, in consequence of the extreme cheapness of labour there; but since the invention of Arkwright's machinery, and of steam or power looms, they are made yet cheaper in Glasgow. Watches and jewelry are also cheaper in Geneva, where the natural price of labour is very low. But in those manufactures in which the materials constitute the chief value, they may be dearer now than they were two centuries ago, as we see in the rise of candles, blankets, and coarse cloths. Fine cloth, in which the various species of operation required to give it its highest finish may make the workmanship equal to the

materials, may have its price stationary—that is the real price—apart from the altered value of the precious metals. The very finest wool too being the product of but few countries, and requiring particular management, bears a sort of monopoly price at present, which is, of course, above the natural price. There are also certain species of raw produce which once bore monopoly prices, but which, by the extension of commerce, or an enlarged field of cultivation, are now afforded at natural prices. Of this character are cotton and tobacco. Sugar, since the extension of the culture of the cane in Louisiana, and of the manufacture of beet sugar, approaches nearer to the same class than it did, but it is destined, by the rapid growth of population on this continent, where its use is universal, to recede from it, unless chemistry shall devise cheaper modes of supplying it than agriculture has hitherto furnished.

CHAPTER II.

RICARDO'S THEORY OF WAGES.

Error in supposing labour to rise with raw produce. The theory inconsistent with itself. Presumed source of the error. What is the minimum compensation of labour. Exception where society is divided into castes. Objection answered from certain historical facts. Decline of wages hastened by unequal distribution of property. This effect more than compensated.

IN opposition to the preceding undeniable facts and obvious inferences, it is insisted, by what has been called "the new school" of political economy, that labour gradually rises in price in consequence of that resort to inferior soils, which is necessary to provide for the increasing population. Its disciples, admitting the rise in the price of raw produce in consequence of an increase of numbers, refer that rise to the necessity of employing labour and capital on inferior soils, which, of course, yield a smaller proportionate return.

As to so much of this theory, which will be fully

examined when we hereafter treat of rent, as respects this tendency of raw produce to rise, the fact is not meant to be denied, and indeed it has already been virtually admitted. From this fact, however, of the rise of raw produce, it is inferred by Mr. Ricardo and his followers, that labour must also rise in price, since the labourer must receive enough of raw produce to support himself and such a family as will continue his class; and as that raw produce rises, so must also the price of his labour. The proposition is thus stated by Mr. Ricardo: "with the progress of society, the natural price of labour has always a tendency to rise, because one of the principal commodities by which its natural price is regulated, has a tendency to become dearer, from the greater difficulty of producing it. As, however, the improvements in agriculture, the discovery of new markets, whence provisions may be imported, may for a time counteract the tendency to a rise in the price of necessities, and may even occasion their natural price to fall, so will the same causes produce the correspondent effects on the natural price of labour."* And again, "it appears, then, that the same cause which raises rent, namely, the increasing difficulty of providing an additional quantity of food with the same proportional quantity of labour, will also raise wages; and therefore, if money be of an unvarying value, both rent and

* Ricardo's Political Economy, Chap. V.

wages will have a tendency to rise with the progress of wealth and population."

Mr. Ricardo in the succeeding paragraph admits indeed that the rise of wages will not be as great as that of raw produce, but he still supposes that the labourer, though he receives a smaller amount of wages, if estimated in raw produce, consumes the same quantity of that produce, and that the difference in his wages is partly compensated by the greater cheapness of other products of labour, and partly met by a diminution of comfort.

It will not be difficult to show that this theory is at once contradicted by the facts and inconsistent with itself.

If it be true that raw produce does rise in price, then, as we have seen, labour must proportionally fall. The only intelligible idea we can attach to an increase of its exchangeable value is, that the same quantity will purchase more labour, for there is nothing with which it can be compared except one of these two classes of value, unless it may be money. But if it exchanges for no more labour or the products of labour, then, though it commands more money in the market, it commands no more value, and the rise is altogether nominal. Such a general rise in the money prices both of raw produce and labour would proceed only from the depreciation of money, in consequence of the greater abundance of the precious metals, or the diminished expense of extracting them from the

mines, and bringing them to market, or more extensive and perfect substitutes for them. But in either of these cases, the change of price is caused by the fall in the value of money, and not by the rise of other commodities. It therefore involves a contradiction to say that raw produce and labour have both risen.

The very process which Mr. Ricardo assumes to take place to raise the price of raw produce supposes a fall in the price of labour. Thus he says, when an increase of population has made it necessary to resort to an inferior soil, the greater degree of labour which it is necessary to exert on this soil to bring the same return, or the smaller return which is yielded to the same expense of labour, raises the price of the raw produce raised on soil of this quality, and it is soil of this quality which determines the rate of wages on every other: because wages as well as profits tend to one general level, and the greater returns to labour and capital which are afforded by better soil assume the form of rent.

But if more labour is exerted with a less return, in consequence of an increase of population, then the same amount of labour certainly earns a less amount of raw produce, and will exchange for less, which is equivalent to saying that labour has fallen and raw produce has risen. Nor could this inferior soil have been cultivated without a *previous* fall in the price of labour or capital, or both. Raw pro-

duce does not rise because inferior soils are cultivated, but they are cultivated because raw produce has risen; and the effect of their cultivation is to lessen or to arrest the rise rather than to produce it. This error runs through all the reasoning of the Ricardo school. They see that the increase of population is the remote cause of the rise of raw produce; but in tracing out the intermediate links, they mistake an effect for a proximate cause.

The fallacy in this part of their reasoning may be made more manifest by an illustration. Let us suppose the soil last taken in cultivation to yield at the rate of eight bushels to the acre, that is, four bushels per acre to the labourer, and four bushels as the profits of capital. This soil, according to the Ricardo theory, yields no rent; for its produce barely repays the wages of the labour and the profits of the capital expended in its cultivation. But population increases, and there is a demand for more raw produce. Land then, they say, of yet inferior quality, must be resorted to; and this, we will suppose, to yield seven bushels per acre. Now it is clear that either the capital or the labour must put up with a smaller return than before. If profits continue unchanged, and receive four bushels as previously, then the labourer can receive only three bushels, which would be a reduction of his wages, estimated in raw produce, of 25 per cent. But they say, the labourer must continue to receive his four bushels. It will be shown that this part of their

theory is as erroneous as the rest; but admitting it for the present to be correct, how can labour be said to fall, if it receives the same four bushels as before. Or if now, or at any subsequent period, it is obliged to put up with a less portion than four bushels, how can it be said not to fall? But in truth, when eight bushels per acre was barely sufficient to pay the wages of labour and the profits of capital, it is clear that land yielding only seven bushels per acre could not be cultivated; and if the product of the last mentioned soil was required for the support of additional numbers, it could be obtained only because labour and capital would fall to the smaller remuneration of seven bushels; a result which, so far as labour is concerned, would naturally arise from the competition of increasing numbers.

It forms indeed one of the most remarkable instances of illogical reasoning which the annals of science can exhibit, that, when the rise of raw produce is inferred from the greater expense of labour required in its production, the same rise of raw produce should be said to cause the rise in the price of labour, which is the same thing as saying that the fall of labour causes the rise of labour.

Mr. Ricardo has perhaps been betrayed into a theory so inconsistent and unintelligible by assuming the wages of the labourer to be a constant quantity, or rather the amount of raw produce necessary for the maintenance of himself and his family. But we have seen that it is of a very varying character,

and that it is capable of becoming of a cheaper and cheaper quality, and that the effect of an increasing population, and a more eager competition forced by the stimulus of want, is to compel the labouring class to resort to these cheaper modes of subsistence; so that the produce of the same extent of soil is able to exchange for more and more labour. It is certainly true, as Adam Smith says, that the human stomach must be filled; but it makes a great difference whether it is filled with beef, or bread, or potatoes; and but for its accommodating character in this respect, raw produce could not continue to command more and more labour as we find it has done in the history of nations; nor would it have been possible for a labourer in Europe to give a month's labour for what he can often earn in a week in the United States, and still less could the native of India give the labour of three or four months for the same reward. And it is mainly owing to these varying modes of human subsistence that raw produce has gradually risen in value with the increase of population, and labour has experienced a correspondent fall; for as the value of raw produce and of labour are always spoken of in reference to one another, the rise of one always expresses the fall of the other. But had they been entirely unconnected, and their values been estimated in reference to some third commodity, that was neither the produce of the land nor of labour, it would still have been an inexplicable anomaly, that when the

price of raw produce was *raised* by the increased *demand*, that of labour was not *lowered* by the increased *supply*.

It thus appears that the theory of labour adopted by the "new school" is mistaken in the facts it assumes, and reasons falsely respecting them though they were true.

There is also a minor error in their theory, which they share in common with other political economists, as to the minimum compensation which labour can receive. This has generally been said to be that which is sufficient to enable the labourer to support an ordinary family, since, unless he received that quantity, population would decline, and thus the price of labour be raised by the diminished supply. "The natural price of labour, they maintain, is that price which is necessary to enable the labourers, one with another, to subsist and perpetuate their race, without either increase or diminution."

It is indeed desirable that this should be the limit beyond which the price of labour should not pass, but both reason and experience compel us to admit that the labourer's compensation does not stop at this point, but that it descends so low as barely to afford the means of subsistence for himself. The ground on which a support for his family as well as himself has been assumed as the minimum is, that a smaller compensation would not keep up the population: but this does not seem to be a necessary, or

even a fair inference. Every civilized community consists of various classes of all degrees of opulence, which may be divided into those who have not the means of providing for a family, and those who have. We know that when the means of subsistence are easy, mankind, in common with all the animal creation, will increase, and in twenty-five years, or less, will double their numbers. There is no reason to believe that this propensity operates with less force among the opulent classes in a densely peopled than in a thinly peopled country. A man in easy circumstances in China is likely to have as large a family as in the United States. Supposing then the richer portion of the community to increase in numbers, in the same degree must the indigent portion either refrain from increase, or, encumbering themselves with a family, expose it to the hazards of want, disease, and death. But either case supposes the class of labourers to have reached its utmost limits, and of course their wages reduced by competition to the lowest point, which is barely enough to support the labourer. To suppose a higher rate of wages is to suppose an increase of population beyond the means of the country to support it, and when there is not enough to support all, the suffering from the privation falls exclusively upon those who have nothing but their labour to give for the means of support.

It is not then necessary, as has been assumed, that to keep population stationary, every particular

class should be continued from its own ranks: it is quite sufficient that the whole community taken together should keep up its numbers; and this may be as effectually done by an increase on the part of some of the classes, whilst others are thinned by disease and death, as if every particular class perpetuated itself. In this case, the labouring class would receive continual supplies from such of the richer classes as by mismanagement, or misfortune, were not able to retain their rank in society.

If a community, however, is divided into castes, and the individuals of one caste are not permitted to pass into another, then the effect of the density of population would be felt by all classes, and the minimum in question would be correct. And it is possible that the considerations here mentioned have had some influence in introducing that division of the community into castes which exists in India. But where such artificial states of society do not exist, and men are left free to exercise their faculties and to dispose of their property in the way they think best, the members of one class are continually passing into another, and a large portion of the descendants of the wealthy and indigent classes change places every three or four generations.

It is a confirmation of the preceding views, that there are multitudes in China, where there is not the same division into castes as in India, who think themselves fortunate if they can obtain for their

labour enough to furnish for themselves alone the means of a scanty subsistence.

It may be here remarked, that the period when a portion of the community must encounter that extreme degree of indigence which the minimum rate of wages implies, if not checked by the restraints of prudence and self-respect, will be accelerated by the unequal distribution of property which every where prevails. As in such a distribution there will always be a class which, in the densest population, will consume as liberally as ever. But let us not overlook the compensating benefit. If it were practicable to reduce the whole community to one level of property, and so to continue them, the mass of discomfort and suffering, so far from being thereby diminished, would be greatly enhanced, as population would then reach the limit of the means of subsistence, and in the event of an unfavourable season and short crop, have no remedy for the scarcity of food but the direful one of famine. The opulent class is therefore a sort of breakwater against the dangers of scarcity; or rather it constitutes a reservoir to which the indigent can apply in the case of distress, and through which they may always obtain some relief; and though they cannot entirely remedy the evil, they may greatly mitigate it. In the same view, the employment of horses in agricultural labour may be regarded as affording additional security in a season of scarcity, as it is found by experience that

they can be supported, in a scarce season, on much less and much coarser food than they usually consume.

It may appear to some that the relative prices of corn and labour in Europe for several centuries, afford some contradiction to the supposed tendency of raw produce to rise, and of labour to fall. During this period, in England at least, they have generally undergone the same fluctuations in price, and have risen or fallen together. This fact, however, furnishes no real ground for invalidating the principles that have been insisted on. If raw produce compared with labour had not for several centuries before the nineteenth risen in price; that fact furnishes satisfactory evidence that the condition of the labouring classes in England had not been deteriorated, and that the increase of population which had taken place, had not exceeded the increased production of the soil by the extension and improvement of agriculture. And, if they have both in the same period experienced a considerable rise, it can be imputed only to the increase of gold and silver, and their consequent depreciation. Adam Smith indeed was of opinion that the precious metals had been stationary in value sometime before the end of the eighteenth century; but this opinion has been since contradicted by Baron Humboldt with better means of information than Smith possessed. It is true that more recently, (in the present century,) these metals, by the great falling off in

their annual supply, in consequence of the commotions in Spanish America, have risen as some suppose from ten to twenty-five per cent. in value, and certainly have not declined, while in the same time both labour and corn have risen in price in England. But the rise which took place in the beginning of this century may be attributed to the depreciation of bank-paper, the only currency in circulation, inasmuch as the prices have declined since the restoration of a specie currency; and at this time they are probably as low as they have been for a century. Unless these fluctuations in the value of money be attended to, and correctly appreciated, we can draw no certain inferences from a comparison of the money prices of corn and labour at different periods. For the first two centuries, and as some think, down to the end of the eighteenth, gold and silver decreased in value, in consequence of the discovery of America, to twenty-five or thirty per cent. of their previous value. During the suspension of cash payments by the Bank of England from 1797 to 1817, the currency was still farther depreciated by the excessive issues of the bank and other circumstances. But from the beginning of this century, when the product of the American mines began to experience reduction, gold and silver, which had been previously falling in value, began to rise, and according to some estimates they rose twenty-five per cent. These changes in the value of money are sufficient to explain the

fluctuations that we perceive in the average prices of corn and labour through a considerable term of years: but the fact that the two bear the same relation to one another, affords satisfactory evidence that the labourer receives the same real wages, that is, the same amount of the necessaries of life, that he had previously received, unless indeed the increasing number of paupers in that country should be thought to give evidence of the contrary; so that while a portion of the labouring classes, comprehending those who are most industrious, most skilful, and provident, obtain their accustomed wages, another portion is not able to obtain them, and in consequence of this inability to provide for themselves and their families, take refuge in the poor-houses, which the humanity, and as some say, the impolicy of the laws provide.

CHAPTER III.

SLAVE LABOUR.

Its characteristics. Mistaken opinions on this subject. Its influence on the free population. Inconsistent with great density of population. Influence of climate on prices.

THE labour of some countries, especially its agricultural labour, being carried on by slaves, and labour of this description having some peculiar characteristics likely to affect its productiveness, political economists have endeavoured to make a comparative estimate between their labour and that of freemen, and they have invariably inferred that the former is far the less productive of the two. The reasons assigned for the difference are sufficiently obvious and have great force. The slave, they say, is impelled by fear, which cannot be so constant, so active, or so efficient a principle as self-interest; that the strongest impulses of the labourer are then at variance with the interests of the proprietor and of the community, and that they will often be

able to elude the closest superintendence; that this necessity of supervision is itself a serious charge from which free labour is exempt. There will always moreover be more waste and improvidence among slaves, partly because what they spend is at another's expense, and partly because they have not been trained to habits of order and frugality. Nor is their industry likely to be of that refined and ingenious character as it would be if it were to feel the stimulus of competition and the prospect of proportionate remuneration. The spirit of slavery has of itself a deadening effect on the faculties of the mind, and cramps its energies, so that it never calls forth those inventions to which the mind of the freeman, who is able to follow out any of his schemes, and who has so many incentives to his exertion, is continually urged.

There is unquestionably a great difference in the character of the labour of the two classes, to the disadvantage of that of slaves, but it is commonly much overrated. Although fear, the impelling motive of the slave, is not so efficient as the hope of enjoying the profits of his labour, yet it is more universal; that is, the number of utter idlers is less among slaves than it is among the poorer classes of free labourers. Many of the slaves too are prevented from the waste and vicious excesses and extravagance that they would occasionally indulge in if free. It is believed, in the slave-holding states, that a given number of slaves are more productive

labourers than an equal number of free negroes. The slaves are also compelled to a course of rigid frugality in most articles. Some of them too are actuated by more generous impulses than those of fear. They at times feel a spirit of emulation equal to that of freemen in many of their field labours, and generally when they are employed in handicraft trades, as carpenters, bricklayers, blacksmiths, shoemakers, and coopers, there is but little difference between the two classes.

In another way, however, slavery operates very materially to lessen the productive industry of a country; and that is by its influence on the character of the free portion. For it always has the effect of making bodily labour degrading, whereby most of those who can live without work are consigned to idleness. Nor is this all the mischief; for in consequence of the idleness thus produced, the masters are apt to fall into habits of waste and dissipation. It is chiefly in this last way that slavery lessens the productive industry of a country.

It may be remarked that in consequence of the disadvantageous effects of slavery on productive industry, it cannot exist in the most advanced stages of society, where the utmost degree of industry and economy are required in the great mass of the community to provide the means of subsistence, and where, if labour can earn a support, it leaves no surplus. Long before that stage is reached, it is found that the labour of the slave does not repay

the cost of rearing him; and, consequently, as slavery at that period would be a tax on the master, it cannot exist. It has been, in part, the declining value of slave labour, compared with the cost of supporting it, that has put an end to this condition in every part of Europe, where it was once general. And in this country, slaves would be worth little in the southern states on the Atlantic, if it was not for their greater value in the cotton and sugar growing states. As soon as those states are supplied with as many as can work their lands to advantage, the emancipation of slaves, occasioning but a small loss to any, and proving a positive gain to some, it will be impossible to prevent it.

In our estimate of the varying value of labour, we should err if we omitted the influence of climate. The disposition to exertion is very different in the different zones of the earth; so that while in the temperate regions, especially in the cold season, action is a pleasure and even a want of our nature—in the tropical regions, and occasionally in the regions beyond them, during the hot season, man is prone to inaction. There, long continued exertion is painful, and violent exertion is impracticable, and almost any labour whatever is irksome. It requires, therefore, far stronger motives to impel to action in warm climates than in cold ones; and consequently that remuneration which in the last would be deemed adequate, would not prove so in the first. The natural price of labour is, therefore, greater in Italy

than it is in France, and in France than it is in Scotland. It is greater in Hindostan than it is in China; in Virginia than in Massachusetts; in Louisiana than in Virginia. This has some influence in raising the exchangeable value of industry and its products in the warmer climates, and in checking industry and accumulation. It has helped to impede the progress of civilization in Africa, and will impede the advancement of the people of Hayti, and in the West Indies, when their population shall be entirely free. But the natural monopolies which they owe to their climate, have still more influence in giving a greater exchangeable value to their labour. It is owing to the two together that a year's labour employed in agriculture in these climates will commonly yield twice, and sometimes four times as much as the same labour in cold countries.

CHAPTER IV.

PROFITS OF CAPITAL.

The agency of capital in creating wealth. Its creative power assimilated to that of land. Its functions threefold. Its supply less than the demand. Its value distinguished from that of labour.

CAPITAL is that portion of useful products which has been saved out of the former profits of labour or land. It thus arises from the excess of production beyond consumption, and consists of machines, tools, provisions, manufactures of all kinds, and money—of every material product, in short, that has exchangeable value. Let us consider the source of its profits, and the laws by which those profits rise or fall.

In the earliest efforts of man to earn a subsistence and to improve his condition, he would soon find that by suspending those efforts for a time, and directing them to the single purpose of assisting him, he could greatly facilitate and expedite his future operations, and that he could moreover thus

effect some objects that, without such aids, would be impracticable. The labour spent in providing a bow and arrows, or in converting a tree into a canoe, is of the last description; and these valuable auxiliaries to the savage in providing sustenance, which constitute his little capital, give him the command of game and of the means of transportation across lakes and rivers that had been otherwise unattainable. But it is in enabling man to perform his useful operations with more ease and despatch, that is, in saving or abridging labour, that the utility of capital is more commonly manifested. To take an example from one of the simplest of labour saving machines, a wheelbarrow. Let us suppose that an individual had occasion to remove a mass of materials from one spot to another, as manure on a field, or the crop it had produced, off of it, and that to transport it on his shoulders would require the labour of ten days. Now, if by the aid of the wheelbarrow he could transport the same mass in four days, and he could make one in four days, of materials of little or no exchangeable value, then by employing his labour in its fabrication, he would save himself the labour of two days; and as his wheelbarrow would be still fit for further use, he would, on the next occasion, when he had similar employment for it, save the labour of six days; and so on, in the same proportion, of doing as much with it in four days as he could do without it in ten,

on all future occasions, until it was worn out or required repair.

Similar advantages either of performing new operations or of performing old ones in less time and with more ease, are afforded by all tools, implements, and machines, and it is these which have so immensely increased the physical power of man over brute matter, and rendered it subservient to his uses and gratifications. By their aid he performs all his most important operations in agriculture, commerce, and manufactures; and his natural powers are thus multiplied a hundred or perhaps a thousand fold.

Although his labour is thus greatly increased, yet the exchangeable value of the machine, except in a few particular cases, will be no more than that of the labour and materials expended in their fabrication. Thus, in the case of the wheelbarrow, although it performs the work of five days in two, and may thus save the labour of one hundred and eighty days in a year, yet its market value will be equivalent only to the four days it has cost to make it and procure the materials.

In both these particulars capital may be assimilated to land. It has the same power of multiplying or creating wealth. In enabling the labour of four days to perform the work of many times four, it acts precisely like land which produces many times as much value as has been expended in cultivating it. But when there is an abundance of

fertile land, its produce, however great, will not exchange for more labour than has been expended in producing it. When indeed this relative abundance of land diminishes, in consequence of its quantity being limited, while the demand for its produce increases with the increase of population, then the exchangeable value of raw produce rises, and comprehends a part of the value it has created. So also would the labour saving machines exceed the labour expended in fabricating them, if they, like the land, could be limited in quantity, or rather if their quantity could not be indefinitely increased to meet the demand, at the same cost as at first. In general, what has been the product of human labour, wholly or principally, can be produced to any extent that is demanded, and of course, it resembles raw produce when fertile land is most abundant. But where the commodity requires peculiar skill, or where the mode of its fabrication is a secret, or where the law precludes competition, as in the case of the exclusive rights secured to inventors, there a monopoly exists, and there the fabricator resembles the proprietor of land, when by its relative scarcity, he is able to obtain more value for its produce than it has cost to produce it.

It is this creative quality of capital which makes it so powerful an instrument of wealth in civilized nations; and while the abundance of food in a country depends on the fertility of the soil and goodness of its husbandry, its abundance of clothes, furniture,

and of the other conveniences of life, depends on the quantity of its capital, and the developement of its creative faculties.

The beneficial agency of capital is threefold. First, in supplying the raw materials whereon to operate, and the provisions to feed the productive classes. Secondly, in providing tools and machines to facilitate and expedite human labour. Thirdly, in enabling a number of co-operating individuals to distribute the different operations of a manufacture among them, whereby they can greatly increase the proportionate result. This is what, ever since Adam Smith wrote, has been technically called the *division of labour*.

The first of these functions of capital, adds to the national wealth only to the amount saved. The frugality or voluntary privation by which a part of the previous products of industry is put away for future use, however indispensable for all the useful functions of capital, increases the natural wealth precisely to the amount of the privation. If the consumption falls short of the previous production, one thousand or one million of bushels of grain, the same amount and no more is thereby added to the national capital. But in the other two functions, the national capital is augmented far beyond the privation, so that the saving of a thousand bushels, or their equivalent value, may increase the national capital to the value of ten or twenty thousand bushels. The creative power of tools and machines has

been already adverted to, and that arising from a division of labour is equally certain. It has been well illustrated by Adam Smith in the business of pin-making, though perhaps there is no other manufacture in which the gain would be as great. It is, however, considerable in every employment that consists of various distinct operations, which are capable of being separated, and which puts different faculties in requisition. And the benefit arises, first from a saving of the time which is lost in passing from one operation to another, by changes of place or attitude, shifting of tools and the like; secondly, from the greater expertness and skill which are acquired by the continued practice of one operation; and thirdly, because by reason of the greater simplicity and uniformity of each operation, when thus subdivided, machinery can be more extensively substituted for human labour, which is much more expensive.

Such is the nature of capital, and such are the foundations of its profitable agency in national economy. We will now consider the laws which determine its profits, and regulate the increase or decrease of those profits.

As capital is the result of frugality, proceeding from a wish either to provide for our future wants, or to enhance our future gains, it is opposed by the desire of present indulgence, and often by the pressing wants and necessities of men. These circumstances limit the supply of it, while its creative

faculties, or labour saving power, make the demand for it unlimited. There is then less of it than can be advantageously used, as in the case of land, and the temporary use, like that of land, commands a price in the market.

Thus, in the instance of the wheelbarrow, if a neighbour had needed it for only one or two days, it would have been better for him to pay the owner something for the hire of it for that time, than to make one, and it would be evidently advantageous to the proprietor to take the value of half a day's labour for it, when he had no immediate occasion for it himself.

Sometimes, too, labour saving machines and contrivances require a greater advance of labour than many can make, and they can be procured only by the successive accumulations and the co-operating frugality of many individuals. Of this character are a bridge, a canal, or even a ship, or a mill. These important auxiliaries to human industry are beyond the means of a community in its infancy, for they suppose an excess of production beyond consumption, which is then impracticable. And when the faculties of the community are equal to such efforts, those who would profit by their use are willing to give a price for that use to those who provide them.

It thus appears that the demand for the use of capital arises partly from its faculty of creating wealth, and partly from the urgent desires and

necessities of men, by which they either do not require more than the *temporary use*, or have not the means of procuring more; and that the supply is diminished, because it is created only by counter-acting the natural desire of present enjoyment; because too the profitable uses to which it can be put are unlimited; and because some of those uses require a long course of accumulation, and the co-operation of many individuals.

It follows from the preceding view of the functions of capital, that the value of its use is independent of the value of the materials of which it consists; or, in other words, that the use of the products of past labour is different from the value of labour itself, so that they may be both high or low together, or either may be high when the other is low. In estimating the value of commodities, they are compared with other commodities; but in estimating the useful agency of capital, it is compared with itself, for it consists in saving or creating capital, which it does by abridging labour, and its value is the same whether the labour it saves exchanges for a bushel of grain *per diem*, as in the United States, or a peck, as in England, or a gallon, or even less, as in China. Its value is a proportionate, not an absolute quantity.

CHAPTER V.

PROFITS OF CAPITAL.

On what the profits depend. The causes of their gradual decline. How counteracted. They do not vary with the rate of labour.

LET us now inquire upon what the rate of profit depends, seeing that it greatly varies in different countries, and at different times in the same country. The ordinary profits of capital are much higher in the United States than in England, and are yet higher in India and China than in the United States. They are less than half as much in England at this time as they were two or three centuries ago.

We shall find that the same principles of human action which cause a saving of capital, produce a gradual decline of its profits. The machines which facilitate labour and multiply human power do so in very different degrees; some, like the wheelbarrow, increasing it perhaps only two or three fold; and others, like the water or steam-mill, fifty or a hundred fold. Some too, requiring a small, and others a large amount of capital, that is, an amount

which is possessed by few. The first savings of capital will, of course, be applied to those uses which are most profitable, the next savings to the uses next in profit; and this process would continue until every avenue of profitable employment was filled up, which is a point which never has been, and as we shall see, never can be reached. Thus let us suppose a small land-holder to be possessed of a capital of the value of one hundred dollars, which, as its most profitable investment, has been laid out in the purchase of a horse and a plough; and that he has by industry and frugality, saved another sum of one hundred dollars; that if he lays it out in purchasing a cart and pair of oxen, he can make fifty per cent.; if in building a small barn, he can make or save forty per cent.; and if in draining and inclosing a piece of marshy land, he can make thirty per cent. Under these circumstances he will, of course, prefer to buy the cart and oxen; and should he continue his course of economy, he will, with his succeeding savings, first build the barn, and then drain the marsh.

This is an epitome of the course of the whole community, in their successive investments of capital. The first savings are expended in the most urgent and most productive employments, which the small capitals then in existence admit of. Its powers of production being then at their height, its amount rapidly increases, and its subsequent accessions, having the field of selection somewhat nar-

rowed, are invested in employments less profitable, and thus as the capital of the nation continues to increase, so are the profits from its use likely to diminish, until there are either no further means of profitable investment, or the rate of profit has descended to that point, when the inducement to save is counterbalanced in the mass of the community, by the propensity to spend,—a point of accumulation of which we have yet seen no example.

Here we see the foundation, in the nature of things, for that gradual decline of the profits of capital, which has been so generally manifested in countries progressively advancing in wealth. It must take place every where with the progress of numbers, industry, and opulence, as we have seen it take place in Holland and England, unless it has some strong counteraction; and capital thus becomes, like every thing else, cheaper from abundance, because there is a more limited field for its profitable employment.

There are two ways in which the gradual decline of profits may be counteracted. One is, that if, from any cause, the further accumulation of capital is prevented, its profits will be stationary; and if population has been at the same time progressive, capital being then more in request, will even become more valuable, though labour has at the same time declined in value. Such checks to accumulation may easily exist. A series of wars may at once so increase expense and lessen production, as

to prevent an increase of the natural capital. A heavy system of taxation, no matter for what object, may prevent accumulation; and insecurity of property may bring about the same result, by preventing production. A course of bad crops, a recurrence of epidemic diseases, and lastly, extreme indolence, ignorance, or improvidence in the people would all conduce to the same end. It is from one or more of these causes, but chiefly from the heavy system of taxation to which the agriculturists of India are exposed, that the profits of capital in that country are as great now as they have been for some centuries, and that they are so much higher than they are in Europe, or even in the United States. It is from the insecurity of property under the despotism of Turkey, that profits there are so unusually high.

But the decline of profits may be arrested from another and a very different cause. If a nation, in the full career of prosperity, lights upon some new employment of capital which is more profitable than those it had last before adopted, then its further accessions of capital may not only find employment without diminution of profit, but even with an increase. Such has been the effect of the rail-roads in England and the United States, which making a demand for capital beyond its supply, have proportionally raised its price. The profits of capital are greater at this time in England than they were a century ago, if we are to judge from the

price of the public stocks. They are also higher in the United States than they were fifteen years since. In like manner a sudden and considerable extension of commerce, or a great increase in the price of the principal staples of trade, by requiring an increase of circulating medium before it can be supplied, raises the interest of money for the time.

It follows, then, that although in the onward progress of society, capital will accumulate with the increase of population, and accumulate in a greater ratio, since a portion of it is continually vested in an enduring form, yet as this tendency may be counteracted, we sometimes see the rate of profits high when that of labour is low, as in India, sometimes the reverse, as in England, compared with the rest of Europe, sometimes both high, as in the United States, and sometimes both comparatively low, as in France.

CHAPTER VI.

PROFITS OF CAPITAL.

Ricardo's theory of profits. Its errors. The resort to inferior soils does not affect capital. Fallacy that wages rise with the rise of corn. Various modes of employing capital. The price of land varies with the rate of profits. Its regulating influence. McCulloch's denial of Adam Smith's doctrine. Profits must fall with accumulation.

IN opposition to the preceding views, it is maintained by the Ricardo school, that the profits of capital, as well as the wages of labour, are inseparably connected with the rent of land, and make part of one entire system, by which these three elements are so compounded that the profits of capital and the wages of labour are dependent on the progress of rent.

The theory is thus stated by Ricardo: "We have seen, he says, that the price of corn is regulated by the quantity of labour necessary to produce it, with

that portion of capital which pays no rent. We have seen too that all manufactured commodities rise and fall in price, in proportion as more or less labour becomes necessary to their production. Neither the farmer who cultivates that quality of land which regulates price, nor the manufacturer who manufactures goods, sacrifice any portion of the produce for rent. The whole value of their commodities is divided into two portions only: one constitutes the profits of stock, the other the wages of labour."

"Supposing corn and manufactured goods always to sell at the same price, profits would be high or low in proportion as wages were low or high. But suppose corn to rise in price because more labour is necessary to produce it, that cause will not raise the price of manufactured goods in the production of which no additional quantity of labour is required. If then wages continue the same, profits would remain the same; but if, as is absolutely certain, wages should rise with the rise of corn, then profits would necessarily fall."

And again, page 94. "Thus, in every case, agricultural as well as manufacturing profits are lowered by a rise of wages; if the former gets no additional value for the goods which he manufactures, and if both are obliged to pay a greater value in wages, can any point be more clearly established than that profits must fall, with a rise of wages?"

This theory of profits, besides sharing in those

errors respecting wages which have been already pointed out, seems responsible for others that are peculiarly its own. It is not true, as we have seen, that the labourer must or does receive the same amount of raw produce; on the contrary, the amount he receives, after all the fertile land is taken into cultivation, is greatly diminished with the increase of population. Nor though this necessity did exist, and the labouring class could not be kept up without a continuance of the same means of subsistence, would it follow that the owner of capital would be obliged to take a lower rate of profit than had previously prevailed. The ordinary rate, it will not be disputed, will be uniform throughout the community. It will be the same in every employment, allowing for difference of risk, whether that employment be agriculture, commerce, or manufactures. If then the produce of any gradation of soil is not sufficient to repay the customary rate of profit, as well as the wages of labour, then the inferior soil will not be cultivated, though an increase of population has increased the demand for raw produce.

It is true that when population has so increased, the demand for raw produce has also increased, and that such inferior soils will be resorted to; but that is because the labourer is forced by the increased competition, to take lower wages. An increase of population, however, does not necessarily bring with it any such obligation on the capitalist, and if he cannot obtain the ordinary profits by the culti-

vation of such inferior soil, he will transfer his capital to some other employment. If indeed capital increases, *pari passu*, with population, as it tends to do, then the cultivation of inferior soil is rendered practicable, partly by the decline of profits, and partly by that of wages: but as they are regulated by separate laws, the reduction may be altogether on labour, or both. The fall in the price of labour is the natural consequence of the increased population; the fall in the rate of profits, though probable, may or may not have taken place. The labourer will abate in his wages rather than go without food, for he has no other alternative; but the capitalist is under no such necessity, as if he cannot obtain the average profit in one employment, he will seek it in another. The contrary doctrine supposes that a capitalist will lend his money to a farmer at a less interest, or that a farmer will use his own capital for a less profit, to keep some of the community from starving, or rather from being stinted in provisions: but this is not the course with these classes of men in the disposition of their property, and though they were ready thus to sacrifice their own interests to those of humanity, the alternative is never presented to them. They seek for their capital the best rate of profit that is current, without knowing or caring whether it is inconsistent with an undiminished supply of raw produce or not. It is with capital, as with labour; competition alone can permanently lower its profits.

If indeed agriculture afforded the only profitable employment for capital, and the latter continued to accumulate, its profits would adapt themselves to the cultivation of an inferior soil, and if the wages of the labourer were a fixed quantity, profits must necessarily fall. But neither of these circumstances exist: we have seen that the labourer's wages, even when limited to the means of subsistence, are capable of great expansion and contraction. Capital may be employed in commerce, in manufactures, in great public works, as canals, bridges, rail-roads, mining, as well as in providing food; and in an advanced stage of population, a much larger amount is employed in these ways than in agriculture. The labourer too may indeed resort to other employments, but that would aggravate the evil, for the value of labour generally has declined by its increased amount, and he must, in every such transfer of employment, receive less real wages, a less share of raw produce, since that share will be somewhat diminished by the cultivation of inferior land.

The supposition which is made, by Mr. Ricardo, and on which the whole reasoning rests, that wages will rise with the price of corn, involves, as has been shown, a contradiction. Corn can only be said to rise when it will exchange for more labour, or the products of labour (which comprehends money); and consequently in the same degree that corn rises is labour depreciated. If the same quantity of corn could purchase no more labour than before, in what

sense could it be said to rise? Corn must be compared with something else, when we speak of its change of value, and it is only with labour, which regulates the value of every thing else, that it can be compared.

Mr. Ricardo is indeed not wrong to the extent which, for the sake of giving a more unembarrassed view of the subject, has been supposed, as he admits that the labourer does not receive quite as much of the necessaries and conveniences of life, as he had previously done. Thus, in the formula of the varying distribution of the produce of the soil, amounting to 180 quarters, among the landlord, labourer, and capitalist, (page 92,) he supposes that while rents have risen from nothing to 40 of the 180 quarters, the part received as wages has declined from 60 to 53.3 quarters, and the part received as profits from 120 to 86.7. But his error, though thus diminished, is not the less palpable, and consists in supposing that the rent could have risen to the 40 quarters, that is, that corn could have risen from 4*l.*, to 5*l.* 2*s.* 10*d.* without a correspondent fall in the price of labour. And he is further wrong in assuming that the rate of profits is dependent on, or connected with, that of wages. If any thing should have prevented the further accumulation of capital, or opened a further avenue for its profitable employment correspondent to its increase, profits would then be stationary, and the fall

of wages and the rise of rent would be precisely equal.

It has been said that capital is not compelled to take less than the average profits, because it can find other employment, which will afford the average rate of profit. The owner may employ it, or lend it to some one who will employ it in commercial pursuits, in manufactures, in building houses or ships, in rail-roads, canals, or banks, or mining, or in contracts with the government. In some of these employments, capital may add to the stock of human aliment more considerably than if it were employed in cultivating inferior soils, or improving the superior. But there is nothing to give it this particular direction, rather than any other, but the increased price of raw produce. Thus the capital may be employed in exchanging domestic products for foreign grain, or in draining marshy land, or in reclaiming soil from the ocean; or by supplying mineral manure, such as gypsum, marl, lime, &c., on soils that needed those aids, but had not obtained them, or had obtained them but at a higher rate, it may increase the products of soils already in cultivation. It may by working coal mines, increase and cheapen the supply of fuel, by which more land could be spared for cultivation. The functions of capital, in each of these cases, might conduce more to the maintenance of the augmented population than if it had been expended on the cultivation of poorer soils; so that, if the necessity which the

Ricardo theory supposes for an increased product of the *same species of aliment*, actually existed, the consequences it assumes of a fall of profits would not or need not be the result.

Land itself must be regarded only as a species of capital, since every other kind of capital can be readily converted into it; and the profit it yields, in the form of rent, will have a proportionate effect on the price, so that as the ordinary profits of capital fall, the price of land will rise, and that will fall as they rise. Thus if the profits of capital are five per cent., land will sell for twenty years' purchase, or something more, for the peculiar recommendations of that species of property. If interest falls to four per cent., then at twenty-five years' purchase; and if its profit is capable of being increased by some important improvement, or a future increase of value from any cause be probable, it may sell much higher.

So long then as men can be found who will prefer a large sum in hand to a small sum by way of annuity,—in other words, so long as land yields a rent and bears a price, or can be bought and sold, so long has the capitalist a never failing resource against taking less than the current rate of profit; and this resource will serve as a balance-wheel to keep the rate of profit steady, or at least to lessen its fluctuations. It is true that this investment of capital in land and houses does not absorb the capital, but merely transfers it from one hand to another;

but that circumstance only shows that such transfer cannot *raise* the rate of profit, as it would do, if it made a new demand for capital. This is not contended, but only that it furnishes a ready field for the capital which is seeking investment, and one which is so ample that it can be affected only by great and general causes. In short, capital continues to increase at the same rate as population, or it does not. If the rate of both is the same, then the profits of capital are likely to remain stationary, the addition not being more than the accession of numbers probably requires. If it increases faster, as is most frequently the case, then the rate of profit will decline, but such declension is caused by the excess of the supply over the demand, and not by the resort to an inferior soil, since that tends to increase rather than lessen the profits of capital, by affording for it a new employment.

What the rate of profit is, depends, as we have seen, on the extent to which capital has been accumulated, compared with the sphere of its profitable employment. Thus, there is no doubt that the steam-engine, though it may tend to lessen the wages of labour, must greatly increase the profits of capital. The introduction of rail-roads has a similar effect. The rate of profit, thus determined by the quantity and field of employment, that is, by the proportion between the supply and demand, is uniform in all employments, or rather tends to uniformity, whether it be vested in the purchase of

land yielding a rent, in agricultural, manufacturing or commercial enterprises; in banks or other joint stock companies. And if in any one of these modes of employment the profits of capital exceed the general average, a re-adjustment soon takes place by drawing new competitors into that employment to lower the profits, or by raising the price of the land or stock in proportion to their extraordinary profits.

Mr. M'Culloch, denying Adam Smith's doctrine that the accumulation of capital was the cause of the fall of profits, asserts that "the greatest possible amount of capital and labour may be employed in fitting and adapting raw produce to our use, and in transporting it from the place where it is produced to that in which it is to be consumed without a diminished return." The startling character of the succeeding proposition, should have led him, one might have supposed, to distrust the soundness of his reasoning; for he adds, "If a given quantity of labour will now build a ship of a given burden, or construct a machine of a given power, it is certain that an equal quantity of labour will, at any future period, be able to build a similar ship, or to construct a similar machine; and it is also certain that although these ships and machines were indefinitely increased, the last would be equally well adapted for every useful purpose, and equally serviceable as the first. The probability, indeed, or rather we should say, the certainty, is, that the last would be much

more serviceable than the first." "No possible limit can be assigned to the powers and resources of genius, to the improvement of machinery, to the skill and industry of the labourer. Future Watts, Arkwrights and Wedgwoods will arise; and the stupendous discoveries of the last and present age will doubtless be equalled, and perhaps surpassed, in those which are to come." The inferences he deduces from these premises are as follows: "It is therefore clear to demonstration that if equal quantities of capital and labour could always raise *equal quantities of raw produce*, the utmost addition to the capital of the nation could never diminish the capacity to employ that capital with advantage, or sink the rate of profits." "But equal quantities of capital and labour do not always obtain equal quantities of raw produce." He thus concludes, "Profits would never fall if wages were not increased; and supposing taxation to continue invariable, wages would never be increased were it not for the decreasing fertility of the soil, and the consequent increase of the labour necessary to obtain corn and other raw products."

The preceding views seem to involve three errors, namely: That the gradual decrease of profits arises from the necessity of resorting to poorer soils to furnish subsistence for an increasing population. 2. That profits vary inversely as wages. 3. That supposing wages to continue the same, the profits of stock could not decline.

All these propositions seem to have grown out of a mistaken view of the real functions of capital as a source of profit, which we have seen to have its foundation in its power of abridging labour, or of making the same amount more productive, of its possessing this quality in different degrees, and there not being a sufficiency for all the modes in which it may be advantageously employed. For further illustration, let us advert to its operation in commerce, one of the first, the most extensive, and most profitable modes of its employment.

In consequence of the greater abundance and cheapness in which certain commodities are produced in some countries and places than in others, men have always been led to a mutual exchange of their commodities, in other words, they have engaged in commerce,—by which both parties have added to the stock of their comforts and enjoyments. But this commerce could not be carried on without capital, as the commodities sought to be exchanged must have been previously saved by some one, and the merchant must have acquired a capital or credit equal to their value, before he could have purchased them, and a further amount to defray his expenses while he was transporting the merchandise from the place where he had purchased it, to that where he sold it. His gains would depend upon the difference of value of the commodities in the two places, *minus* the expense of transportation, and *minus* the effect of his additional supply. Let us

suppose these gains to amount to fifty per cent., and that the merchant was led to enlarge his business with his wealth, or that competitors were to arise among other capitalists. In either of these cases, the profits of the trade would necessarily fall; for the only terms on which the sales could be extended would be by a fall in price, by which either former purchasers would be induced to purchase more largely, or other persons would be at once tempted and able to become purchasers. It was in this way that the traffic in the precious products of the east yielded enormous gains to the first adventurers, and in this way they have gradually fallen to the average profits of other employments. In like manner the first steamboats on the Mississippi made great profits; this invited competition into the business, by which its gains have been steadily diminishing, until they have reached the average profits of other employments.

The profits of capital are then unconnected with the profits of land or labour, but the former have their own distinct laws; one of which is, that as capital increases, its profits decline. It is true that when population has doubled, it may give profitable employment to double or nearly double the capital, in which case the profits may be undiminished. But while such an accession of numbers might require double the number of "ships of a given burden, or machines of a given power," to take Mr. M'Culloch's illustration, it does not follow that

four times the number could be used with equal advantage, and in case capital has increased in such proportion, that is, thrice as fast as population, the addition could not have found employment without resorting to such as was less profitable. Every new mill, or steamboat, or wagon, tends to lessen the profits of those previously existing, by augmenting the supply in proportion to the demand.

CHAPTER VII.

PROFITS OF CAPITAL.

Profits distinguished from the reward for personal services. Difference of profits between large and small capitals. Difference as to duration of loan. Usury laws. Their effect on the profits and useful agency of capital. The consequences of their repeal.

WE have, in the preceding remarks, meant, by the profits of capital, the mere profits derived from the use of capital without labour, or personal service of any kind, such as is yielded by the loan of money on sufficient security, or the rent of houses or lands. The profit which is made on capital when employed in commerce, or farming, or any manufacturing enterprise, commonly greatly exceeds this ordinary interest; but the excess may more properly be regarded as wages or reward for personal management, and a compensation for the risk incurred, than a mere remuneration for the use of capital. Though in many works on political economy, they are both

comprehended under the name of profits, there seems to be quite as much reason for regarding rent and profits under one head, as those services and profits, since land and capital both yield a return from the proportion between the supply and the demand, and without any agency of the owner, but in consequence of the progress of society.

Though profits in every employment at the same time and in the same place tend to uniformity, yet this must be understood as to those of the same amount of capital, or nearly the same amount; for there is a considerable difference between the profits of large and of small capitals, which it is proper to notice.

The ordinary rate of profit for large capitals is less than it is for smaller ones; or within certain limits, the rate of capital is inversely as its magnitude. The reason of the difference is, that there are many more borrowers in proportion to the number of lenders, of small capitals than large ones; or in other words, the demand for them is greater in proportion to the supply. All large capitals seek profitable investment, and the larger they are the more difficult is it to find persons to whom it would be safe to lend them, and if they are reduced by division the trouble is proportionally multiplied. But a large proportion of the small amounts of capital are not profitably employed, partly on account of the insignificance of their profits to people of property, and partly because that class of persons

like to have ready money and other forms of capital by them. It thus happens that while a *millionaire* may lend to the government at four per cent., the same capitalist would not lend twenty or thirty thousand dollars at less than five per cent. At this very time one or two thousand dollars might bring, in the way of discounting bills, eight or ten per cent., and in times of pecuniary difficulty, yet more. When very small sums are borrowed by the indigent, the rate of profit occasionally becomes exorbitant, but a part of the excess may be imputed to the risk incurred by the lender. Colquhoun in his London Police says, that some individuals make a business of lending sums of five shillings each, to orange-women, for a single day. Those who have large capitals commonly seek not only safety in their investments, but also, to avoid care and trouble; and as by far the greater number of that class whose condition in life would afford satisfactory security do not wish to borrow, there is commonly some difficulty in drawing a profit from great capitals, except the owner employs it himself in some profitable enterprise, which, however, is both troublesome and hazardous. To relieve himself from these inconveniences, the capitalist will therefore lend his money to the government, or to some large joint stock company, for an interest below the ordinary rate of profits: and there being a numerous class so disposed, the competition among capitalists makes the rate sometimes as low as one half the market rate.

Thus we see the English three per cents. selling for ninety and upwards, which is equivalent to an interest of three and a third per cent., while the bank of England discounts at five per cent., and small sums often cannot be obtained at this rate. In the United States too, while promissory notes of unquestionable credit have been discounted at the rate of one or one and a half per cent. a month, that is, at the rate of eighteen per cent. a year, the stocks of the banks in the best credit, which divide eight per cent. a year, were selling more than ten or twelve per cent. above par.

There is also a difference in the rate of interest, according to the length of the loan, but as to this diversity one rule prevails with small loans, and another with large ones. A considerable part of the unemployed capital of a country consists of small sums which are retained until an occasion is presented of profitable investment, and sometimes until they can receive farther accessions before they are disposed of. The holders of these small sums will prefer taking a low interest for a short term, or on the condition of having the money returned at any time on short notice, to a higher interest for a long term. But it is otherwise with the great capitalist. He derives his income, or a considerable part of it, from the profits of his capital, and safe and eligible modes of investment for large amounts are, as we have seen, not readily obtained. When, therefore, he has found one which he confides in,

and otherwise approves, he is desirous of making the loan for as long a term as possible, so that he may be spared the necessity of seeking another eligible borrower, and of losing the interest of his money until he finds one. He knows, moreover, that if he should wish to turn his loan into money he can always do so, and obtain a larger sum for it when the right of repayment is remote than when it is near. The day of payment, or the time when the creditor is obliged to receive his money, if the debtor so chooses, is therefore one of the important conditions in loans to the government, and the rate of interest is always something lower, according to the length of time that the right of redemption is postponed. The stock which was created by congress in 1824-5 as a donation to La Fayette, was made irredeemable until a distant day, for the express purpose of enhancing its value, and it accordingly sold considerably above par. The same consideration always enhanced the price of the three per cents. of the United States funded debt in the market, for although that stock was redeemable whenever the government thought proper, yet as it could be redeemed, only at par, unless its holders voluntarily consented to take less, it was the same as an irredeemable stock, except on the disadvantageous terms of paying one hundred dollars for what bore an interest of only three per cent. It was therefore always higher in the market in proportion to its interest than any other of the govern-

ment stocks, and it gradually rose from fifty per cent. up to par, at which rate it was finally redeemed.

In most countries a difference has been made between the profits of capital and the profits derived from land or labour; so that while the two last have been suffered to adjust themselves according to the spontaneous acts of individuals, the first have been regulated by law, that is, the law has set a limit to the rate of the profits of capital which its owner was forbidden to transcend.

The justice and the policy of these prohibitions have been so frequently arraigned by writers on political economy, that it may seem unnecessary to treat of them here. Yet as there are still many who do not assent to those doctrines, and legislatures especially still refuse to adopt them, a brief notice of the merits of the question may not be unacceptable. The principal points involved in the subject will be comprehended in the discussion of two questions: first, how far the usury laws affect the profits of capital and its useful agency; and secondly, what would be the effect of their repeal; in which discussion, principles considered as settled will be assumed as true, without a repetition of the arguments that have been adduced in their support.

1. *How far do the usury laws affect the profits and the useful agency of capital?*

It is urged by the advocates for the repeal of these laws, that by prohibiting loans except at the rate

permitted by law, a large portion of those who have money to lend are deterred from lending it, when the market rate of interest exceeds the legal rate, as it commonly does, but prefer using it themselves, rather than either violate the law, or take less than their money is fairly worth. And that those whose fears or scruples do not prevent them from lending, are induced to require an additional premium, to insure them against the risk of incurring the penalties of the law, by reason of which either the mischief which the law intended to prevent is really enhanced in making usury more exorbitant, or another mischief is produced, of preventing loans, which but for the law would be advantageous both to the borrower and the lender.

These consequences would indeed be the natural result of the law, if all the modes of lending money incurred its penalties, or, in other words, if there were no means of evading the law; but in point of fact these are so various and easy, that at present nine-tenths of the money lent brings a higher interest than the law allows, and scarcely one case in a hundred is any violation of law. Thus, it has been generally held by the courts not illegal to buy bonds and promissory notes, that were payable at a future day, at a greater discount than the legal interest; or to take any rent for real estate or hire for a chattel whatever may have been its cost; or to sell stock or any other property on a credit at a price far beyond what the same article

would bring in cash together with the interest, transactions of this character being so convenient in all commercial countries; and the last especially, of selling on a credit, could not be interdicted without striking at the root of all commercial intercourse.

So long as these practices prevail the moneyholder may obtain the market rate of interest without incurring the penalties of the usury law; and the chief effect of the law on negotiations of this character is, that in some of them the intervention of a third person is required who sells the promissory note at a discount, which the maker of the note himself could not do without incurring the penalties of the law: or, if the expedient of buying at a high price on a credit is adopted, the borrower is compelled to resort to the double operation, first of buying stock and other property, and then of selling it for cash, instead of the simple one of bargaining directly with the lender. Thus the effect of the law is to impose a tax on the time of the very class whom it was intended to relieve.

But though the purpose of the law is thus frustrated, it must not be supposed that it is altogether inoperative. Its indirect operation is not inconsiderable. The prejudice against money-lenders, and the sympathy with the borrowers, which have always been shown by legislators, and in which they but reflect the feelings of the mass of mankind, are strengthened and increased by the law. A

degree of public odium thus attaches to the practice of lending at a high interest, even where the law is not violated. This is apparent from the notorious fact that the occupation of a money-lender, or *shaver* as he is now denominated, who violates no law of the land, is popularly as odious as that of a downright usurer, for his sin consists not in violating the law, but in taking advantage of the necessities of another to enrich himself. Now this odium, which has its foundation in some of the most general principles of our nature, the law tends to strengthen and encourage; and it is because many moneyed men do not wish to encounter it, that they prefer employing their money themselves, when they would rather lend it to others if they could obtain the market rate of interest for it.

Except in this way and in the trouble it gives to evade its penalties, the law is inoperative. But in this way it does operate to lessen loans, and by diminishing the supply of capital to be lent, it must proportionally enhance its price. The effect is however not great, and has been much overrated. The law we know does not annihilate any portion of the national capital, nor even of its circulating medium. It merely alters the distribution of a part. It induces some men to employ their portion of it rather than lend to others, and so far as it thus intercepts a better use of it, it is injurious. There is not an inconsiderable class who have spare capital which they cannot advantageously use, either

on account of their age, or sex, or because they have some other engrossing pursuit, or for want of that acquaintance with men and their affairs that would secure them against loss. There are, on the other hand, many men in the prime of life, possessed of enterprise, activity and judgment, who could employ their spare capitals profitably, if they could obtain them, after paying an interest above the legal rate. The law, therefore, in preventing two individuals of each class from making a bargain that would be mutually beneficial, does injury to both, and so far as it prevents the excess of profit which the borrower might make, it occasions a loss to the community.

According to the preceding view, it is only a small portion of the circulating capital of the community which is thus diverted from its natural channels by the usury laws; and the consequent loss to the state is only the average difference of the profits made by its proprietors, and those who would have borrowed and used it more profitably.

This amount might be considerable, if it was not for the field afforded by joint stock companies to money holders to obtain the average rate of profits, in the form of dividends. By means of these companies the moneyed class may vest their funds in bank stock, or the stock of canal, or rail-road, or insurance companies, or in the public funds, where there is a national debt, and they then have a reasonable certainty of obtaining the average rate of

profits; and this notwithstanding the very great difference in the benefits or profits of the different modes of investment. For after they have been some time in operation, they all yield nearly the same rate of profit to the purchasers of their stock, in consequence of the price of the stock always proportioning itself to the rate of its dividend, and when the latter is higher than the market rate of interest, selling considerably above par, so that money invested in different stocks, yielding dividends of five per cent., ten per cent., and fifteen per cent. per annum might all yield the same interest on the money required to purchase them.

These joint stocks are then a sort of regulator and equaliser of the profits of capital, by which aged or infant or female proprietors, or those who are otherwise incompetent to manage their capital to advantage, share in the profit which is obtained by the industrious and enterprising part of the community. Now as the money which is thus diverted from its spontaneous course is, for the most part, invested in these joint stock companies, whose purposes, always presumed to be useful, are sometimes highly so, some may doubt whether the mischief done by the usury laws in lessening the loans to individuals may not be entirely compensated. And as to that portion which is vested in banks, although it cannot claim to be as immediately beneficial as that which has been invested in a canal, a rail-road, or a manufactory, yet inasmuch as it is one of the

functions of these institutions to increase the capital of the country, or rather to make capital productive that was previously not so, as a portion of their loans goes to assist all these beneficial enterprises; and lastly, as many of those individuals who would have borrowed the capital vested in the bank of its proprietors are able to borrow it of the banks, this portion seems to furnish no exception, so that the inconvenience to individuals and mischief to the public from usury laws applies chiefly to those small portions of capital that the owners are willing to lend for a short time, until they could be advantageously used, and not to the great mass of the national capital, most of which takes either the same, or an equally good direction, as if the law did not exist.

There is another way in which perhaps the usury laws do to a far greater extent divert capital from the course it would naturally, and most profitably take. By limiting interest to a rate below the market rate, they tempt debtors to prolong their debts. The longer the debtor can keep his creditor's money in his hands, the more advantageous it will be to him, at least he will be apt to, think so, and the numerous cases in which that expectation has proved illusory, are but aggravations of the mischief. It is of great advantage to commerce and the general welfare of the community, that there should be punctuality in engagements, and, as far as can be done, that credit should be approximate to

cash with the ordinary interest for the delay. But the law in fixing the rate of interest too low, holds out temptations to individuals to intercept these benefits.

2. What then would be the advantages of repealing the usury laws?

They would, no doubt, after a time, restore the trade in money and circulating capital to its natural freedom, and be so far beneficial. It is possible that a part of the prejudice against high interest has too deep a foundation in the human breast to be easily eradicated, and is rather the cause than the effect of the law. A part might therefore always remain; but much would probably in time pass away, and parties being then free to contract for a high interest, the inducement which now exists for the debtor to postpone the payment of his debts would be greatly diminished. There would also no longer be any repugnancy between the course which the law permits to the debtor (in availing himself of its provisions) and that which is permitted by the sentiments of mankind. For, by an inconsistency not unusual in man's judgments of his fellow men, whilst he commonly hates and condemns the griping usurer, he also unhesitatingly consigns to deeper infamy the wretch who fulfils the purpose of the law by using it as an instrument to violate his own solemn engagements.

Saving these benefits, which seem sufficient to recommend the repeal of the usury laws, it is not

seen that such repeal would be attended with any other effects: and the expectation fondly entertained by many that the removal of all these restrictions would enable any one to borrow money, or would at least greatly increase the money to be lent, may be placed among those dreams of future good with which fancy is for ever cheating the mass of mankind. As the usury laws do not drive a single dollar out of circulation, they would not bring one into it. The mere miser not being willing to lend on any terms, and all but misers even now giving their money active circulation. If, after the repeal of the laws, money were freely offered to the highest bidder, a somewhat greater share might sometimes be obtained by the sanguine, adventurous, or improvident; but after a while it would be found that it is not always the most safe or prudent course to lend to those who would give the highest interest. The money lenders might thus be able to increase their apparent gains at first, but in time interest would settle down to the rates that now prevail, by which, while one man would be able to borrow at six per cent., another would be compelled to pay twenty, equal to the discount which is now made on their respective notes; and thus all those who expect any signal or striking benefit from the repeal of these laws, would be egregiously disappointed.*

* Though by the term "profits," most political economists com-

prehend not only the remuneration received for the use of the capital employed in any business, but also that received for the industry and skill in managing it, yet there seems to be no more reason for confounding them, than any other of the three great sources of revenue, that chance to be received by the same individual at the same time. Unless we take profits in the restricted sense here proposed, there is no truth in the maxim that the rate of profit is uniform in the same country at the same time.

While these sheets are passing through the press, I perceive that Mr. H. C. Carey, in his recent work, (*Principles of Political Economy*, Chap. xx.) has pointed out the distinction between the *profits of capital and personal services* with great clearness, and very forcibly illustrated its propriety.

CHAPTER VIII.

THE ORIGIN AND PROGRESS OF RENT.

The circumstances essential to the existence of rent. How it increases with population. The effect of a diversity of soils—of uniformity. Two principal causes of the rise of rents. Difference of their effects. Objections answered.

LET us now apply the principles of value, labour and profits, to the rent of land, or that compensation which the proprietor receives from him to whom he permits the temporary use, and which may be either in money or other commodity, may be a fixed sum or a proportional part of the annual product, and may be payable yearly, or for longer or shorter periods.

Rent thus supposing the appropriation of land, it cannot, like the profits of labour and capital, exist in the early stages of society, when the soil of a country is the common property of a whole community. But after the appropriation has taken place, only those *cultivated* lands which possess a certain

degree of fertility can yield a rent. They must be so fertile that the value of their products must exceed the cost of cultivation, as if this cost is equivalent to five bushels of corn per acre, and the product of the acre is but five bushels, no rent can be paid. *Fertility* is then an essential prerequisite, and different qualities of soil, under similar circumstances of situation, will yield rent in proportion to their respective degrees of productiveness.

As to the uncultivated lands, they may yield a rent for the spontaneous products of the soil; but this is comparatively insignificant, since it is only by the agency of human labour that any land yields much that is useful to man.

But the *relative scarcity of fertile soil* is farther necessary to the existence of rent; for if land was as abundant as air or light, we should be no more willing to pay for the use of the one than we are for the others. This is actually the case in newly discovered countries, and on the frontier settlements of the United States. There lands in a state of nature yield no rent, and they would bring no price but for the confident anticipation of their future value. When it is known from past experience, as it commonly may be, that although there is at the time a superabundance of land for the wants of the population, this will not, by reason of the natural increase of mankind, continue to be the case; sagacious and provident individuals are desirous of acquiring land, not for its present, but its future

value, precisely as young animals, or a share in a promising enterprise, bear a price in the market, though so far from yielding a present profit, they are a present charge. Most of the public lands which are sold at a dollar and a quarter an acre would be valueless, or bring but a few cents per acre, if it were not for the value which the future increase of population will be certain to impart to it.

It thus happens that land may bear a price in the market when it would yield no rent, but in all cases the price is in proportion to the present, or the expected profit; and it is equal to many times that profit, or in other words to many years rent. What the ratio between the price and the rent may be depends upon the ordinary rate of profits prevalent in the country, which again depends upon principles already investigated.

But this superabundance of land cannot be permanent. By the natural increase of population, and consequent increased demand for fertile land, while the quantity of the latter continues the same, the relation between them is gradually undergoing change. It is in this change of relation between the quantity of fertile land, and the numbers who derive subsistence from it, that we find the origin of rent, and the main cause of its progressive increase.

At first, as we have seen, when numbers are few and good land is abundant, there will be no rent,

except for that scanty portion of its products which the soil might chance to yield without human labour. At this period, the whole produce of cultivated land would be the property of the cultivator; and such produce would exchange in the market for as much labour as it had cost to produce it. It could not permanently exchange for more, since if it temporarily commanded more, a portion of the labour thus depreciated would be diverted to agriculture, and by thus increasing the quantity of raw produce, its price would be lowered, until labour yielded no greater profit in this employment than in any other. Nor could it permanently exchange for less, since when it so exchanged, labour would be diverted from agriculture to those employments that were more profitable, until the rise of raw produce restored the equilibrium between the different employments.

This rate of exchange between labour and raw produce, which precludes the existence of rent, would continue until population had so increased as to consume the produce of all the land of the first degree of fertility, but for two or three circumstances, which, by enhancing the value set on land, and on its temporary use, somewhat hasten the period when rent commences. One of these is, that agriculture, by providing the means of human subsistence, seems to afford a better security against want than is afforded by other employments, and to make those who pursue it more independent of

the rest of the community. The farmer can longer and better dispense with the fabrics of artisans than they can with the produce of the land. The very uncertainty of the amount of his profits, affected as they are by the vicissitudes of the seasons, somewhat conduces, by the known predominance of hope, in all precarious employments, to make the agriculturist underrate the unfavourable chances. The land also, by its inherent powers unaided by man, affords pasture and fuel, on which account it soon yields a rent, though its products from culture may not exchange for more labour than has been expended in their production. The practice of appropriating extensive tracts to parks and pleasure grounds by large proprietors, too, lessens the portion of land allotted to agriculture, and proportionally accelerates the period when population approaches the utmost limits which are consistent with the prevailing mode of subsistence, and the existing state of husbandry.

So long, however, as population does not pass beyond this point, rents will be very low, in consequence of the low price of raw produce; but the further increase of population will gradually raise its value, compared with labour, and consequently rents will rise in proportion. The process by which this rise takes place is the ordinary operation of a change in the proportion between supply and demand. When population increases, after the whole of the fertile land is taken into cultivation,

then, as a greater number are to be supported from the same soil, it is clear that there must be either a diminished consumption, or an increased production. But the effects of these two expedients will be very different. If the adjustment between the population and the means of subsistence is brought about by improvements in husbandry, whereby the same expense of labour is more productive, then the rate of exchange between raw produce and labour will continue to be at the same liberal rate as before. But though wages will not fall, rents will rise, inasmuch as the same soil is made to yield a greater return. In both cases the same amount of labour expended on the land commands a greater amount of labour in the market.

In a few rare cases these improvements seem to have kept pace with the progress of population, as is indicated by the unaltered rate of real wages during the increase. But in the far greater number, the adaptation of the means of subsistence to the augmented population is made partly, and often principally, by a diminished consumption, to which the mass of the community is compelled to submit, by giving up more and more of their animal food, and by substituting the cheaper and coarser for the dearer kinds of grain, if their soil and climate afford them the means of such alternative. The immediate process by which this change is effected, is by the fall in the wages of labour compared with the price of raw produce, in consequence of the

increased competition of the labourers; and as the same amount of raw produce will progressively command more and more labour in the market, rents will rise in proportion.

If, however, there be soils of different fertility, as we find to be the case in all large countries, then the adjustment of subsistence to population is effected partly by a diminished consumption, and partly by an increased production; for, by reason of the fall in the price of labour, soils of inferior fertility may then repay the cost of cultivation, which they could not have done at the previous rate of wages. The addition to the amount of raw produce thus made, retards the further decrease of wages, and so far mitigates the further privation to which the labouring class is exposed from the increased competition. But if the soil was of uniform fertility, then, when it was all taken into cultivation, the means of subsistence for a further accession of numbers could be furnished only by one of the two first mentioned modes, that is, either by a more productive husbandry, or by cheaper modes of subsistence. The first of these expedients tends to keep down the price of raw produce compared with labour; the last to raise it; but both of them contribute to increase rents, because both enable the landlord to command more labour from the produce of the same land.

The numbers which a country can support are, as we have seen, capable of being greatly extended by

the very varying character of human subsistence; so that according as the people of the same country use animal food in abundance, or subsist chiefly on vegetable food of the cheapest kind, as potatoes, their numbers may vary in the proportion of one to six.

But at whatever point the population becomes stationary, by reason of its having reached the limits of subsistence, the rate of wages will have gradually diminished from the whole amount produced by the labourer, deducting the profits of capital, to the quantity required for his necessary support; and the difference between this maximum and minimum price, is, in the progress of society, gradually transferred to the landlord by way of rent. It is thus that we see the labourer earning in Ohio two bushels of grain per day, one half as much in some of the Atlantic states, one eighth or one tenth as much in England or France, and one thirtieth as much in India or China.

From this view of the origin and progress of rent, the gradation of soils has no sort of agency in producing it, but, arising as it does from the greater amount of labour which the products of the same portion of soil can command, in consequence of the increase of population, the same consequence would take place if all the land were, like the Delta of Egypt, or the American Bottom in Illinois, of uniform fertility. The only points of difference between the two cases are these: whenever there

is a gradation of soils, population sooner reaches that point when cultivated land yields a rent, because labour must then sooner fall in value, when compared with raw produce; but eventually the whole amount of rents must be greater in a country having all its soil fertile than if it varied in its quality; and whatever rent land of the first quality might eventually attain when the soils differed in fertility, the same rent would be yielded by all the lands, if they were uniform in quality, whenever the population became stationary, or, in other words, attained its utmost limit.

It thus appears that cultivated land yields a rent from two causes, and only two: first, from the capacity of the earth to return a greater amount of raw produce than is expended in its cultivation; and secondly, from the increasing demand for this excess by the increase of population, so that more labour will be given in exchange for raw produce than it has cost to produce it.

The amount of rent of a given piece of land thus depends upon the quantity of its products, and the quantity of labour, the great source and regulator of exchangeable value, which these products can command; and in the same proportion that either of these causes is increased, will be the increase of rent.

But these two great causes of increasing rent very differently affect the price of raw produce, and consequently the comfort and happiness of the

labouring classes. Whatsoever increases the quantity of raw produce, whether it be the fertility of the soil, or the favourableness of the seasons, or improved modes of husbandry, whether by manures, more skilful modes of culture, or the introduction of more prolific species of vegetables, *lowers* the price of raw produce; but as the increase of quantity adds to the gross value more than the reduced price lowers it, it also somewhat raises rents. But whatever increases the amount of labour, as the progress of population, in the same degree *raises* the price of raw produce, and, in the like degree, raises rent.

It may seem to some that by the law of supply and demand the increase in the quantity of raw produce can have no tendency to raise rents, inasmuch as the augmented supply of raw produce may so lower its price as to counterbalance, or more than counterbalance the increase in quantity, in which case the rents would be either lowered, or at best stationary. But there are few commodities which do not admit of great expansion or contraction of consumption, even with the same population, according to their fluctuations in price; and consequently, the effect of an increased supply is balanced partly by a fall in price and partly by an augmented demand, whereby although the value of any given part is less, the gross value of the whole is greater than it was before. It is thus that the tenfold increase of the precious metals by the discovery of

America has lessened their value not to one-tenth, but only to a third or a fourth; and that farmers gain by a plentiful season, though it is certain to lower the price of grain. Besides the temporary expansibility of consumption of which raw produce partakes with most other commodities, it has also the peculiar quality of permanently creating its own demand, it being found that population every where soon reaches the level of the means of subsistence.

CHAPTER IX.

RICARDO'S THEORY OF RENTS.

His theory stated. Objections to it. A gradation of soils not essential. The rise of raw produce the cause, not the consequence of a resort to inferior soils, or a further outlay of capital. The principles of rent illustrated by the history of a colony. Examples of false conclusions deduced by Ricardo from his theory.

As a very different theory of rent from the preceding has been given to the world by Ricardo and his followers, and has been received with great favour both in Europe and this country, the views that have been here presented would hardly be deemed sufficiently supported without a more particular examination of the theory they oppose.

That theory is thus stated by Mr. Ricardo: *
 "If all land had the same properties, if it were boundless in quantity, and uniform in quality, no

* Principles of Political Economy, Chap. II.

charge could be made for its use, unless where it possessed peculiar advantages of situation. It is only then because land is of different qualities with respect to its productive powers, and because, in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it. When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land.

“When land of the third quality is taken into cultivation, rent immediately commences on the second, and it is regulated as before, by the difference in their productive powers. At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital and labour. With every step in the progress of population, which shall oblige a country to have recourse to land of a worse quality, to enable it to raise its supply of food, rent on all the more fertile land will rise.

“Thus, suppose land No. 1, 2, 3, to yield, with an equal employment of capital and labour, a net produce of one hundred, ninety, and eighty quarters of corn. In a new country, where there is an abundance of fertile land compared with the popu-

lation, and where, therefore, it is only necessary to cultivate No. 1, the whole net produce will belong to the cultivator, and will be the profits of the stock which he advances. As soon as population had so far increased as to make it necessary to cultivate No. 2, from which ninety quarters only can be obtained after supporting the labourers, rent would commence on No. 1; for either there must be two rates of profit on agricultural capital, or ten quarters must be withdrawn from the produce of No. 1, for some other purpose. Whether the proprietor of the land or any other person cultivated No. 1, these ten quarters would equally constitute rent; for the cultivator of No. 2 would get the same result with his capital, whether he cultivated No. 1, paying ten quarters for rent, or continued to cultivate No. 2, paying no rent. In the same manner it might be shown that when No. 3 is brought into cultivation, the rent of No. 2 must be ten quarters, or the value of ten quarters, whilst the rent of No. 1 would rise to twenty quarters; for the cultivator of No. 3 would have the same profit whether he paid twenty quarters for the rent of No. 1, ten quarters for the rent of No. 2, or cultivated No. 3 free of all rent.

“It often, and indeed commonly happens, that before No. 2, 3, 4, or 5, or the inferior lands are cultivated, capital can be employed more productively on those lands which are already in cultivation. It may perhaps be found, that by doubling

the original capital employed on No. 1, though the produce will not be doubled, will not be increased by one hundred quarters, it may be increased by eighty-five quarters, and that this quantity exceeds what could be obtained by employing the same capital on land No. 3.

"In such case, capital will be preferably employed on the old land, and will equally create a rent; for rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour. If with a capital of 1000*l.* a tenant obtain one hundred quarters of wheat from his land, and by the employment of a second capital of 1000*l.* he obtain a further return of eighty-five, his landlord would have the power, at the expiration of his lease, of obliging him to pay fifteen quarters in the return for his second 1000*l.*, it is because no employment more profitable can be found for it. The common rate of profit would be in that proportion, and if the original tenant refused, some other person would be found willing to give all which exceeded that rate of profit to the owner of the land from which he derived it.

"In this case, as well as in the other, the capital last employed pays no rent. For the greater productive powers of the first 1000*l.*, fifteen quarters is paid for rent; for the employment of the second 1000*l.* no rent whatever is paid. If a third 1000*l.* be employed on the same land, with a return of

seventy-five quarters, rent will then be paid for the second 1000*l.*, and will be equal to the difference between the produce of these two, or ten quarters; and at the same time the rent of the first 1000*l.* will rise from fifteen to twenty-five quarters; while the last 1000*l.* will pay no rent whatever.

“If then good land existed in a quantity much more abundant than the production of food for an increasing population required, or if capital could be indefinitely employed without a diminished return on the old land, there could be no rise of rent; for rent invariably proceeds from the employment of an additional quantity of labour with a proportionally less return.”

Whilst this theory correctly regards the progressive increase of population as the remote cause of the origin and increase of rents, it seems to be erroneous, first, in considering that the diversity of soils has any agency in creating rent; secondly, in regarding the gradual rise of raw produce which attends the progress of population as the *consequence* instead of the *cause* of the resort to inferior soils; and lastly, in common with the doctrine of wages and profits of the same school which have been already noticed, it does not perceive that raw produce itself could not rise without a correspondent fall of wages; and that when we speak of their gradual changes of value, in the progress of society, the rise of one is identical with the fall of the other.

As to the first objection, we have seen that rent

arises from the necessity which is felt by that part of the population which does not possess land, of giving in exchange for their means of subsistence more labour than it has cost to produce it. They are impelled to purchase the raw produce by the most imperious of all wants; they must give their labour in exchange for it, since the greater part of the community have nothing else to give; they are obliged to give more labour for it than has been expended in its production, because when the population has so increased as to make the demand for raw produce outgo the supply, such is the only condition on which it can be obtained; and as nearly all things possessing exchangeable value, are wholly or partly the product of labour, the power in raw produce of commanding more labour raises the value of such produce, and consequently raises rents.

These several circumstances, which are essential to the creation of rent, are common to all soils having the capacity of supporting more labour than is required for their culture; and the further circumstance of their fertility being uniform, like that of the Delta of the Nile, or of every variety of quality from moderate to extreme fertility, is altogether unimportant to the *existence* of rent; the only difference between them being as to the *amount* of rent, and that amount being greatest in the case of an unvarying fertility, supposing the same relative density of population in the two cases. Indeed, the rise of raw produce in value, or its

increased power of commanding labour at different periods in the progress of population, is owing to the same cause as its occasional rise in any particular year, that is, a less adequate supply compared with the demand; and when it is familiar to all that a given quantity of grain in a scarce year will sell for as much as a far larger quantity in a plentiful year, it seems strange reasoning to suppose that when by the increase of consumers and the limited supply of land, the same relative scarcity was permanent, its effect in enhancing the price of raw produce and in commanding more labour would not also be permanent.

The next objection to Ricardo's doctrine of rent is, that in regarding the resort to inferior soils as the cause of the rise of raw produce, he mistakes the cause for the effect. He is indeed right in considering the increase of population as the first moving cause of the rise of rents; but this occasions a resort to inferior soils not directly, but by first raising the price of raw produce, and depressing the value of labour, whereby land may be cultivated with a living profit, which, but for such a change of price, could not have been cultivated without loss.

When a farmer or proprietor is led to take fresh land into cultivation, what is it which has decided him? It is a comparison of the probable value of the product, (which is the compound result of the quantity and the price,) with the cost. As the

quantity afforded by an inferior soil is supposed to be less, he must be induced to cultivate it either by the expectation of a higher price for the product, or of a smaller expense of cultivation. Such rise of price in raw produce, or such reduction of expense must, therefore, already exist before he undertakes the cultivation.

The order of precedence may be more satisfactorily shown by supposing the different qualities of soil to vary, not by insensible gradations, but by those that are broad and plain. Thus, suppose the lands of different qualities to yield forty, thirty-five, thirty, twenty-five bushels to the acre, each quality varying from that next it by five bushels. Let us further suppose the land last cultivated, and which of course merely repays the cost of cultivation, to yield ten bushels, and that a further increase of numbers increases the demand for raw produce. It is clear that, in this case, it will be to the interest of the farmer to pay rent on the soil that had been previously cultivated rent free, to the amount of any thing short of five bushels to the acre; rather than cultivate the land that brings only five bushels for nothing. Rent, therefore, and the rise of raw produce which occasions it, must precede the resort to inferior soils, and they are its proximate causes.

It is justly remarked by Ricardo that "corn is not high because a rent is paid, but a rent is paid because corn is high;" but it is equally true that

corn is high, not as he supposes, because "more labour is employed in the production of the last portion obtained," but more labour is thus employed because corn is high. Raw produce, in short, rises with the progress of population for precisely the same reason that it rises in bad seasons, that is by an alteration in the proportion between the supply and demand, with this only difference, that in the case of the progress of population the effect is produced by an increased demand, but in the case of bad seasons, by a diminished supply.

It is a similar inaccuracy of reasoning which ascribes rent "to the difference, or the value of the difference between the produce obtained from the capital first applied to land, and that which is last applied to it." For, admitting that the additional supply of raw produce required by an increase of population can be obtained by a further expenditure of capital on old land, and that every successive expenditure yields a smaller proportional profit, yet this further expenditure of capital with a diminished rate of profit is not the cause but the consequence of the rise of raw produce, which is the immediate cause of rent.

The price of raw produce naturally rises with the increase of population, by reason both of the increased demand for food and the increased supply of the labour which is given in exchange for it, and such rise of price leads to a further expenditure of capital on old soils in the same way as it leads to a

resort to inferior soils, that is, by rendering those expedients for augmenting the supply of raw produce profitable, which had not been profitable before. Indeed, these expedients, so far from causing the rise of raw produce, and consequently of rents, do in fact tend to prevent both, and certainly do retard and diminish them.

Without doubt as these successive resorts to inferior soils; or outlays of fresh capital on old lands keep pace with the rise of raw produce, they ordinarily afford a *measure of the progress of rent*, and of its different degrees, according to diversities of fertility, culture, or distance from market, but they are no more the cause of its rise, than the weights in one scale cause the gravity of the body in the opposite scale, though they may correctly inform us of its amount.

It may assist our reasonings on this subject, if we suppose a small colony settled on an island of great but uniform fertility. We will assume that the colony consists of twenty families, containing one hundred persons, and that the island is capable of supporting ten times their number at a liberal rate of consumption. Let us further suppose that either at the first moment of settlement, or by the course of events afterwards, this community, like all others, was divided into proprietors of land, and non-proprietors, who derived their support from their labour, either in tilling the soil for the land-

holders, or in the exercise of some useful art, as that of tailor, shoemaker, carpenter, or smith.

Let us suppose the fertility of the island to be such that the labour of one family employed in husbandry would produce corn and other food enough for the support of several other families. In this state of things, when the means of procuring food were so easy, the mode of subsistence would be liberal and plentiful; nor would there be much difference as to real wages, between the labour employed in making clothes, shoes, tools, or other handicraft arts, and in that employed in husbandry, for the sphere of its employment being then unrestricted by an insufficiency of soil, it could and would be readily transferred from the less productive to the more productive employment, until the equilibrium in their respective profits or wages was restored. At this time there would be no rent, which always supposes agricultural labour more productive than other employments, except for the improvements that had been made on it, or so far as the soil spontaneously yielded some useful product, in pasture, fruits, or fuel. Nor would land then have a price in the market, except a moderate one, from a view to its future value, or from its quality of rendering the means of subsistence less precarious, or that of affording gratification to the pride of the proprietor, as well as to some of his natural tastes.

In the state of abundance thus possessed by all

classes, the population would naturally double in some twenty or twenty-five years, and in the course of a century or less, would attain that tenfold increase which we have supposed to be the limit to the number the island could support at the same liberal rate of consumption.

During this progress of the little community, the relative situation of its landholding and labouring classes would not materially vary. The profits of labour would continue to be high, and would be equal in the different employments, except so far as they had peculiar attractions or repulsions. Competition among the labourers would prevent their labour from exchanging for more raw produce than the same amount of labour had produced in agriculture; and competition among the landholders would prevent the same labour from exchanging for much less. The circumstances which have been mentioned as giving an artificial enhancement to land would also, by checking the competition among the landholders, give some additional value to raw produce, and proportionally create rent, but with all these circumstances in its favour it would as yet be insignificant compared with what it was capable of becoming.

If, when the population of the island had reached this point, it were to remain stationary, then the same state of general comfort and abundance, of high remuneration to labour and low rents, would permanently continue. Nor do we mean to deny

that in a community so circumstanced, when the consequences of a further increase would necessarily be some privation to all or to a part of the community, they might keep the population to that point without waiting for the direful operation of Mr. Malthus's positive checks. But let us suppose that the tendency to multiply would continue to operate here, as we have seen it operate everywhere else, what then would be the result?

An increase of numbers would naturally require an increase of food, and there being neither inferior nor remote lands to resort to, the only expedients for adapting the supply of food to the further demand would be to bestow more labour and skill on the culture of the old soils, or to convert into arable land a portion of the soil that had been used for pasture, pleasure grounds, and other purposes.

Both of these expedients would be resorted to for the purpose of furnishing the additional supply of food, but probably with very unequal effects. The extension of arable land would first suggest itself, as the surest means of providing for the growing wants of the community, but the demand for raw produce must have greatly advanced and operated a long time before much would be gained by a more skilful and productive husbandry; for men are slow to change their habits, and in nothing more so than in agriculture. Besides, in such a soil as we have been supposing, the improvement would be moderate as well as slow. There are millions

of acres, on our large rivers, and in the western country, which at a small additional expense, would produce their maximum, or so near it that no further outlay of capital could increase their product ten per cent.*

But whatever might be the effect of these expedients, it is clear that they have their limits, and that if the population went on increasing, the time must come when there could be no further conversion of other lands into arable, and when the arts of husbandry would admit of no material improvement. In that case, the further demand of increasing numbers could be met only by an alteration either in the quantity or quality of an individual's subsistence. Some change takes place in both ways by a part of the population; but it is principally by a change in the *quality of their food* that relief is given to a crowded and scantily supplied population. The non-proprietary class are, therefore, driven to this alternative, and must, of necessity, take a smaller portion of the earth's products in exchange for their labour, skill, or talents. By little and little they would lessen their consumption of animal food, and some would be compelled to

* It may be remarked by the way that the political economists of the Ricardo school seem to assume that upon all lands successive portions of capital can be expended so as, in a diminishing ratio, to increase the amount of its produce. But this is true only with the inferior soils, and not even with them to the extent supposed.

give it up altogether. Nor is this all. The different species of plants that are fit for human aliment, as we have seen, vary greatly in their capacity of supporting a dense population. The same piece of ground will afford more human sustenance when cultivated in maize than in wheat, and far more in potatoes than either. If then the population continued to increase, the labouring part of it could find the means of subsistence only by passing from grain to potatoes, just as it had previously passed from animal food to vegetable.

In this process of increasing numbers and their altered mode of subsistence, the produce of the same piece of ground would be able to exchange for more and more of human labour, so as eventually to command five or even ten times as much as it could have originally purchased, without much variance in the proportional expense of cultivation. Rent, therefore, which is always an exponent of the labour which agricultural produce will command beyond the labour and capital expended in creating it, would rise in proportion.

We shall come to the same result, if, instead of looking to the necessity of an increasing population to resort to cheaper modes of subsistence, we regard the effect of competition on the price of human labour.

Let us suppose that in the first period of the colony—the era of abundance—a bushel of wheat had exchanged for a day's labour, so that in ten

days a labourer could earn as much grain as he consumed in a year; and in our frontier states, he can often earn as much in less time. After all the land was taken into cultivation, if the numbers of the colony continued to increase, the labourer would, by the increased competition, be obliged to give a greater number of days labour for the ten bushels of wheat, or what is the same thing, take less than a bushel for a day's labour. A further increase of numbers would compel him to give yet more labour for the same quantity of wheat, until, sooner or later, he would be obliged to forego, with other indulgencies, some portion of the animal food he had previously consumed. When further competition had yet further lowered the price of his labour, he might find himself under the necessity of substituting for wheat a still cheaper aliment, for the support of himself and his family. He would thus gradually pass from the highest remuneration of his labour, all the raw produce it could produce, to the lowest, which is the least it could consume. And as the landholder's power of commanding labour must have increased in the same proportion, so must also his rents. He, indeed, as the proprietor of fertile land, had been in possession of a machine which had been constantly increasing in its productive powers with the increase of population, because its annual product would exchange for more and more labour.

By means of the change in the mode of subsist-

ence, the population of the island, which did not exceed 1000 souls when they were liberal consumers, may extend to 4000 or 5000, and at whatever point it may stop, it would have reached a yet larger number, if the necessity for a more frugal consumption was not confined to the class of labourers and small proprietors. The principal landholders and other wealthy members of the community being likely to consume the more costly kinds of aliment, in the same, or nearly the same abundance as ever. It would follow too, that labour would thus sooner reach its lowest point of depression, in consequence of its cause operating exclusively on one part of the community.

We have hitherto considered the soil of the island the property of a part, and, according to the usual course of things, not of a large part of the community. But the result as to the changes in the relative values of raw produce and labour will not be materially changed, by supposing an equal division of the land among all the inhabitants, and the same equality inflexibly maintained by the operation of law. There would, in that case, be the same increased demand for subsistence with the increase of population, the same consequent frugality, the same exchange of animal food for vegetable, and finally, the same resort to the cheapest and coarsest of the latter species of aliment. All the difference between the two cases would be that in one, the expedients for adapting the supply of food to the increasing

demand, would be resorted to by every class, instead of being, as in the other case, confined to the poorer classes. In the first duplication of numbers, the quantity of land allotted to a single family or individual, must be diminished to one half, in the second duplication to one-fourth, in a third to one-eighth, and in a fourth to one-sixteenth; during which progress, as the same quantity of soil is required to afford sustenance to a greater and greater number, it is clear that the population must be compelled to experience the same course of privation, and to make the same substitution of cheaper for dearer aliment. There would of course be the same change in the relative values of raw produce and labour that was previously supposed: and supposing lands to be leased out in a community where every one was a small proprietor, and nobody was a large one, the rents of such lands would gradually rise, on the same principles and for the same reasons that have been already mentioned.

It thus appears that neither is a resort to soils of inferior fertility, to lands more distant from market, nor different results from successive outlays of capital on the same lands, necessary either to the existence of rent, or to its progressive increase, but that it is caused solely by the increase of population, together with the capacity which the same soil possesses of supporting a greater number by reason of their resorting to a more frugal mode of subsistence.

It is not a little remarkable that Mr. Senior,* after having admitted the errors in Mr. Ricardo's reasoning on the subject of rents, as he has distinctly done in his very methodical and able treatise on political economy, should have virtually maintained the same theory under a somewhat different form. Like Ricardo, he attributes the rise of rents and of the price of raw produce to the increased cost of

* Encycl. Metropol., Vol. IV., p. 178. Mr. Senior thus concludes his remarks on Ricardo:—"Again, he has often spoken of the existence of rent as dependent on the cultivation of land of different degrees of fertility, or on the fact that the same land repays with a proportionably smaller return, the application of additional capital. *And yet it is clear that if we suppose the existence of a populous and opulent district of great but uniform fertility, giving a large return to a given expenditure of capital, but incapable of giving any return whatever on a less expenditure, or any greater return on a larger expenditure, such a district would afford a high rent though every rood of land and every portion of the capital applied to it would be equally productive.*"

The preceding passage in *Italics* seems to surrender every part of the Ricardo theory of rent which had been deemed most objectionable, and which was peculiar, including the principle that rent proceeds "from the employment of an additional quantity of labour with a proportionally less return;" but as Mr. Senior repeatedly insists on that cause, and gives a new illustration of it by substituting diversities of distance from a metropolis, for diversities of soil or expense of culture, he clearly did not mean his concession to go so far. He then participates in the errors of that theory in not attributing the rise of rent to the fall of labour, unless indeed he supposes that the congregation of men into a city can annul that great law of human destiny, by which as the numbers of mankind increase, each individual has a smaller share of the earth's surface from which he can draw his subsistence.

production, which increased cost may be occasioned either by the expense of distant transportation, or the necessity of cultivating poorer soils, or of a further outlay of capital on old lands, all of which, if we have been right in our view of an insulated community, are entirely unimportant to the existence of rent; and if all the lands of a country possessed a uniform fertility which could not be increased by a farther expense of labour and capital, and were equally convenient to market, they would then yield rent, and that rent would progressively increase as certainly as at present, provided the population increased. Nay, so far can the increased cost of raising raw produce be considered as the cause of its rise, and the regulator of its price, that if such raw produce were the spontaneous bounty of nature, unassisted by the labour of man, and were furnished in the same proportions as at present, it would also command precisely the same price.

The varying cost of the several expedients to which most countries have recourse to assist in supplying an increasing population, does indeed, as has been already admitted, mark the progress of rent, and afford a measure of its diversities, occasioned by different soils, situations, and modes of culture, but they have no sort of agency in creating it.

It may seem to some an unimportant proposition that these circumstances are not the causes, if they

are, in countries where farm rents prevail, the invariable concomitants, and the exact measures of rent. But, besides that it is inconsistent with the pretensions of a science which assumes to be a branch of philosophy to mistake a collateral circumstance for a cause, this error may be the foundation of many others, and lead to conclusions repugnant at once to well known facts and the common sense of mankind.

Of this character is the opinion of Ricardo, that a decrease in the fertility of land one-tenth would have the effect of raising rents. Such an opinion could not have been entertained but for the supposed importance of a gradation of soils, or, to use his own language, that "rent is not in proportion to the absolute fertility of the land in cultivation, but in proportion to its relative fertility."

It is certainly true that the effect of such a diminution of fertility would be to raise the price of raw produce, inasmuch as the supply would be diminished while the demand remained the same, yet on account of this very diminution of supply, there would be a smaller surplus left after paying the expense of cultivation; and thus the reduction of the quantity would counterbalance the enhancement of price. If, for instance, we suppose the quantity yielded by the land last taken into cultivation to be ten bushels per acre, and consequently that the whole was absorbed by the expense of cultivation, so as to afford no rent, then, by the supposed

decrease of fertility, its product would be reduced to nine bushels, which would have the effect of throwing lands of this quality out of cultivation, and thus lower the rents of the other lands one-tenth, unless we suppose a correspondent rise in the price of raw produce, or fall in the wages of labour and profits of capital. The price of raw produce would certainly rise, and supposing it to rise one-tenth, while wages and profits remained the same, as is assumed by Mr. Ricardo, then there would be the same inducement to cultivate the lands now bringing nine bushels to the acre, as had previously existed to cultivate the same lands when they brought ten bushels, and consequently rents would neither rise nor fall.

But if the price of raw produce should not rise in proportion to the decreased fertility, and nine-tenths of the former amount of raw produce would not now command as much labour in the market as the whole formerly commanded, then rents would necessarily fall. We may fairly infer that this would be the result, when we see that the advanced price of raw produce in a bad season does not fully compensate for the deficiency in the quantity.

It indeed seems a startling proposition, from one who defines rent to be "that portion of the produce of the earth which is paid to the owner of land for the use of the original and indestructible powers of the soil," that rent is increased by a diminution of those original and indestructible powers. If the

diminution of its natural fertility one-tenth would raise rents, a further diminution of two-tenths ought to raise them still more, and so on, until its fertility was exhausted, or at any rate until that point was reached which would merely repay the expense of cultivation. If it be not allowed to push the proposition to this point of absurdity, at what intermediate point must we stop, and no such can be supposed without supposing the same cause to produce contrary effects.

Of a similar character is the proposition of Ricardo, the converse of the former, and like that a corollary from his theory of rent, that any improvement in agriculture which would so increase the product of the land as to make the cultivation of the poorer land unnecessary, or the product of those soils last taken into cultivation greater, would lower rents. He infers that rents would be thereby lowered, because the difference between the most fertile and least fertile lands cultivated would be lessened. But if a smaller portion of soil is made to furnish the supply required for the community, which had been previously furnished by a larger portion, it is not seen on what ground it is thence inferred that the landlord's share would be thereby diminished.

Let us suppose a million of bushels of wheat to be wanted for a community, and that, to raise this quantity, soil of the sixth degree of fertility (to adopt the language of the Ricardo school,) were

taken into cultivation, and by some discovery or improvement in husbandry, the land last taken into cultivation could be dispensed with. In that case, as the whole supply required would be raised at less expense than before, and may be supposed to be greater in proportion to the demand, the price would of course fall, but this fall in price would be more than compensated by the increased quantity. It would be more than compensated because, by the fall in price, the consumption would be more liberal in proportion to numbers, and consequently the demand being increased beyond the fall in price, rents would rise. If this were not the natural effect of an increased product, it would be the interest of farmers to wish for unfruitful seasons and short crops rather than good ones, since the latter always lower the price of corn by increasing the quantity, while the former as invariably raises the price by the opposite means. It would follow too that the landholders in England, by the favour they have shown to the drill husbandry, the cultivation of turnips, and other fertilizing processes, have gone counter to the instinctive sagacity of self-interest. It seems strange that the conclusions to which Mr. Ricardo was conducted by his theory, so directly at variance as they are with facts familiar to all, should not have led his acute mind to detect the unsoundness of that theory.

The cause or rather causes of rent are, therefore, the capacity of the soil to produce a greater amount

of the means of human subsistence than are consumed in cultivating it, and the power which this surplus has, by reason of the increase of numbers, and consequently of competition to obtain it, to command more value in labour and capital than had been expended in its production. Land is thus a productive machine which but a few possess, but whose produce none can dispense with, and for which there being more and more demanders, they must and will give more and more of their labour to obtain it. This is the same thing as giving more value for that produce, (since value is chiefly measured by labour,) and consequently giving more for the use of the land which produces them. Rents having once begun, continue to increase with the increase of population, and the more frugal consumption to which it impels individuals.

CHAPTER X.

PARTICULAR CAUSES OF THE RISE OR FALL OF RENTS.

Improvements in husbandry—the substitution of cheaper aliment—the fall of profits—facilities of transportation—restrictions on the importation of corn, tend to increase rents. The extension of cultivation—importation of corn—heavy taxation, retard their progress. Objections drawn from the experience of England considered.

HAVING thus traced the origin of rents and the great leading cause of their increase, let us now notice all the various circumstances which may accelerate or augment them on the one hand, and retard or diminish them on the other.

1. *Improvements in husbandry.* These tend to raise rents while they also tend to lower the price of raw produce, and both these effects are produced, whether the character of the improvement be to lessen the cost of cultivation, or to increase the

product of the soil. Of the first kind are all useful implements of husbandry and labour-saving machines, such as the drill-plough, the cradle-scythe, and the threshing machine, which have so abridged the labour of sowing, reaping, and thrashing out the grain within the last half century. Of the second kind are the turnip culture, the drill husbandry, a better rotation of crops, the introduction of valuable grasses, improved breeds of animals, and new modes of manure. Both species of improvement benefit the whole class of consumers, by making corn more plenty and cheap than it would otherwise be, and they also benefit the landlord by augmenting the produce of the land yet more than they reduce the price.

Mr. Ricardo, assuming that the raw produce consumed by an individual is a fixed and unvarying quantity, or near it, considers, as we have seen, that all agricultural improvements tend at first to lower rents. But by reason of the expansive character of that consumption, the class of producers gain more by the increase of quantity than they lose by a reduction of price. But for this, the farmers would be losers instead of being as they notoriously are, gainers, by an abundant harvest, as they would then obtain no greater sum for what had cost them more to reap and send to market.

The benefit of these improvements is, indeed, first felt by the farmer or immediate cultivator of the soil, but sooner or later, the benefit will accrue

to the landlord, who at every new lease of his land, obtains, by the force of competition, the full advantage of all previous improvements in agriculture.

It is not easy to estimate the value of these several improvements in any country, in a given period, but a few facts may serve to give us some general ideas of its great extent in England.

The board of agriculture in that country estimated, from communications made to it, that rents had risen in that part of the kingdom from 1791 to 1804, taking them at an average, 39 per cent.*

According to the returns under the property tax act for the years 1810-11, and 1814-15, the whole rental of England for 1810-11 was 27,880,085*l.*, and in 1814-15, it had increased to 32,502,824*l.* In the same period of four years, the average rent per acre in England and Wales, had increased from 15*s.* 11½*d.*, to 18*s.* 6¾*d.*†

The preceding facts do not give us an adequate idea of the increase of rents in England, unless we also take into account the great extension of cultivation, by the conversion of commons into private property and sometimes into arable land. It has been lately estimated, that by the inclosure acts, passed between 1760 and 1832, more than five millions and a half of acres have been inclosed and divided, by which they have yielded a four or five

* M'Culloch's Statistics, I., p. 533.

† Ibid. p. 531.

fold increase.* Notwithstanding the large addition of inferior lands to the arable lands of the kingdom, in consequence of the inclosure acts, the average crop of wheat, which in 1792 was estimated by Arthur Young at 24 bushels the acre, is now reckoned to be $26\frac{2}{3}$ bushels.

2. *The substitution of cheaper for dearer food.*

—We have seen that the cheaper the labourer's mode of subsistence, the denser may be the population, and consequently the greater is the amount of labour that the rent of the same portion of land will command. The cultivation of potatoes has greatly increased both in England and Scotland within the last forty years. It is supposed that the quantity now raised in Scotland is ten or twelve times as great as it was at the end of the American revolution. In the same degree that potatoes constitute the food of the labouring class, does a smaller part of the arable soil suffice to pay the expense of cultivation, and of course the larger is the surplus left for the landlord's rent. This effect is not, however, immediate, for at first the use of potatoes tends to lower the price of wheat and the other kinds of grain for which they are substituted, but it is by enabling the same soil to support more labourers, together with the natural consequence that such additional number will come into existence, that it eventually benefits the landlord.

* M'Culloch's Statistics, I., p. 550.

3. *The fall in the profits of capital.*—The average rate of profits is indicated by the interest of money, which in an industrious and prosperous country gradually declines. As rent is the excess of the value of agricultural produce above the cost of its production, it is the same thing whether that excess is produced by lessening the cost of production, or increasing the amount produced. The result is also the same whether the cost of production be lessened by a saving of capital or a saving of labour.

4. *Improved means of transportation.*—Whatsoever facilitates the carriage of raw produce to its destined market has the same effect as lessening the expense of cultivation, and in the same degree tends to increase the neat profit of the land. Rents are affected by the greater or less distance that land lies from market in the same degree as the price of raw produce is affected; and as the price must vary in different places by the different expense of carriage, so also must rents. Thus, suppose the price of a barrel of flour in a city to which it is sent for consumption or export to be six dollars, and the cost of its carriage to be 15 cents for 10 miles, (that is, about three-fourths of a cent per mile for a hundred pounds,) and 150 cents for 100 miles. Estimating the landlord's rent then at one-third of the produce of the land, it will, after the expense of carriage is deducted, be, in the case of the nearest farm, one-third of 5.85 dollars, equal to 1.95 dollars per bar-

rel, and one-third of 4.50 dollars in the case of the more distant, equal to 1.50 dollars per barrel; thus making a difference of 30 per cent. in favour of the farm nearest to market. The difference will be the same if the rent be paid in money as if it were paid in a proportional part of the produce, since the farmer, who must then incur the additional expense of carriage, must compensate himself for it, by a proportional reduction of the rent.

The extent to which the cost of carriage affects the price of raw produce, and consequently rents, is materially influenced by the value of the commodities compared with their weight. Thus, if the article to be transported were Indian corn, and its price per hundred weight be supposed one half of that assumed for flour, then the rent would be in the first case, one-third of 3 dollars *minus* 15 cents, equal to a rent of 95 cents, and in the last one-third of 3 dollars *minus* 150 cents, equal to a rent of only 50 cents. The difference of rent here in favour of the nearest farm is 90 per cent.

If, on the other hand, the commodity were tobacco, of double the value of flour per hundred, then the rent would be in the one case one-third of 12 dollars *minus* 15 cents, equal to 3.95 dollars, and in the other case 12 dollars *minus* 1.50, equal to 3.50 dollars. Here the difference in favour of the nearer farm would be less than $12\frac{1}{2}$ per cent. The cost of carriage too, would, from the more distant farm, in the case of tobacco, be but one-eighth of

the value of the commodity, $\frac{150}{1800}$, whereas, in the case of wheat, it would be one-fourth, $\frac{150}{600}$, and in that of Indian corn one-half, $\frac{150}{300}$.

Hence it is that different species of culture have a tendency to distribute themselves at different distances from market, and that the most distant lands are best able to compete with the nearest in the culture of high priced commodities. Canals and good roads, which so greatly cheapen the expense of transportation, tend, therefore, not only to affect the species of culture in the more distant lands, but also to raise their rents. And although they at first also tend to lower the rents of the lands nearest to market, by bringing more distant lands into competition, yet this effect is but temporary, for as they favour the increase of population by augmenting both produce and profits, such increase of population will soon enable all the lands to command the same labour as at first. Canals further enhance the value of lands by facilitating the transportation of manures of a bulky nature, such as lime, salt, and gypsum.

5. *Restrictions on importations of grain.*—

Wherever trade is unrestricted, a well peopled country, in which raw produce is high and labour low, may profit by the greater cheapness of raw produce of other countries which have not reached the same fulness of numbers, by exchanging its manufactures for provisions; and this commerce, so beneficial to the mass of the people in both countries, tends to

lessen the price of raw produce, and to check the further progress of rent. Of course the interdiction of such an exchange allows the population sooner to reach its utmost limit of density, and proportionally hastens the progress of rent. The corn laws of Great Britain by securing to her landholders the monopoly of supplying provisions to her population, except in seasons of extraordinary scarcity, have materially contributed to raise the rental of the kingdom, though in so doing they have benefited one class at the expense of all the rest.

Such are the circumstances which tend sooner or later to increase rents by increasing the neat produce of the land. Those which have the opposite effect of lowering rents, are

1. *The extension of cultivation.*—Every addition to the soil taken into cultivation obviously tends, by increasing the supply of raw produce, to lower its price, and so far to lower rents. But where such addition is made by a resort to inferior soils, as is commonly the case in populous countries, it is always preceded by a fall in the price of labour, or in the profits of capital, or both; and consequently by a rise of rents. The extension of cultivation may therefore generally be said to retard the further rise of rents, rather than positively to lower them. The quantity of waste lands and commons in England which have been rendered more productive by being inclosed have no doubt contributed, with the improvements in husbandry,

to keep the prices of corn and labour in that country nearly stationary, in the last half century, notwithstanding the great increase of population in that time. The quantity of land thus inclosed is estimated at near 6,000,000 of acres, and the whole land under cultivation in England and Wales is considered not much to exceed 12,000,000 of acres.*

2. *The importation of corn.*—As corn will not continue to be imported unless it can be furnished at a somewhat cheaper rate than that at which the same quantity could be produced at home, it is clear that to the same extent that corn is imported, must some land be thrown out or kept out of cultivation, and the rents of other lands be diminished. This is indeed not an uncompensated loss to the landholders, because they have an immediate interest, both as producers and consumers, in the wealth and prosperity of the other classes, who are all benefited by getting corn cheap. But its first and most direct tendency is to check the rise of rents by retarding the rise of raw produce and fall of labour.

The influence of this cause must not have been inconsiderable in England, which from having been an exporter of corn, has been for forty or fifty years gradually increasing its importations. Thus, for the first ten years of the eighteenth century, the average annual exports of wheat and flour exceeded

* M'Culloch's Stat., p. 528.

the annual imports 108,000 quarters; but during the last ten years of the same century, the imports exceeded the exports 487,000 quarters.*

During the present century, the increase of importation has been yet greater. Thus, before the year 1806 the quantity usually received from Ireland was about 400,000 quarters annually, in spite of the restrictions on the trade that were then in force. In that year those restrictions were removed, and since that time the importation from that island into Great Britain has risen to 2,600,000 quarters in a year.†

The average annual import of grain of all kinds into Great Britain, for twenty-five years, from 1801 to 1826, was 1,778,513 quarters; and the average of the seven succeeding years was 4,281,436 quarters. This shows a tenfold increase in thirty years.

It is in this way that the populousness of England is furthered by the potato culture of Ireland, since by reason of the smaller portion of the soil of the latter country which is required to feed its population on potatoes, a larger quantity can be appropriated to the growth of wheat and other grain, which their more wealthy and prosperous neighbours are able to purchase.

If the imported grain were all wheat, and we allow a quarter or eight bushels to be the average annual consumption of an individual, the quantity

* M'Culloch's Com. Dict., Article, *Corn*.

† Ibid.

would be sufficient to feed one-fourth of the population of Great Britain. So large a yearly accession to the produce of her own soil may further help to account for the more rapid increase of her numbers of late years without the ordinary concomitants of a rise of raw produce and a fall of labour.

The cheapness and excellence of the manufactures of Great Britain are such that, with all the restrictions on her import trade, she profits very extensively by the lower price of raw produce in other countries, especially in the United States, to which she stands somewhat in the relation of a town to the neighbouring country, and it has thus experienced a similar sympathetic growth. But both nations would be able to sell to each other to a much greater extent if the mutual restrictions on the trade between the two countries were abolished.

3. *Heavy taxation.*—The gross product of every civilized country is naturally distributed among the labourers, capitalists, landowners, and the government, under the four several forms of wages, profits, rent, and taxes; and consequently the larger the portion received by one class, the smaller is the portion to be divided among the other three.

The political economists of Great Britain have differed widely as to the effect of their principal taxes; as tithes, the land tax, taxes on raw produce; some contending that they fall exclusively on one class of the community, and others on another. It will, however, be found that, as a general rule, every

considerable tax falls on all classes who are able to pay, and as the labouring class is unable to pay much, in consequence of its receiving what is barely sufficient for its support, its wages must rise in proportion to the taxes that are laid on the articles it consumes, and thus those taxes are shifted on the capitalists and landowners, who alone have the requisite funds for paying them. The very heavy taxation therefore of Great Britain, while it nominally raises the wages of labour, does in fact diminish the rents of the landlord by enhancing the cost of cultivation. Her population is supposed not to have quite doubled during the last century, but in that period the amount of her public taxes increased more than sevenfold. The revenue in 1701 was £3,895,205, and in 1801 it was £28,085,829. In 1811, during war, and when the currency was a depreciated bank paper, it rose to upwards of £64,000,000. But the average of three years to 1832 is £52,139,000, shewing an increase since 1801 of 88 per cent. The population has increased during the same period of 30 years, from 10,932,646, to 16,537,390 or 51½ per cent.

This increase of taxation, by raising the money price of labour, has afforded some colour to the hypothesis of a gradual rise of wages, which forms a part of the Ricardo theory. A portion of these wages, however, merely repays to the labourer what he has advanced, or advances to him what he must pay to the government for articles of his ordi-

nary consumption, such as beer, spirits, sugar, tea, leather, coals, soap, and candles.

The following is the amount of taxes collected in 1830 on articles extensively consumed, and some of them principally consumed by the labouring classes:

British spirits,	-	-	£5,185,574
Malt,	-	-	3,436,272
Beer,	-	-	2,345,122
Hops,	-	-	118,912
Sugar and molasses,	-	-	4,927,097
Tobacco and snuff,	-	-	2,924,264
Soap,	-	-	1,251,021
Coals,	-	-	1,021,862
Candles and tallow,	-	-	662,944
Hides and skins,	-	-	255,278
Total,	-	-	£22,128,346*

Besides the above list of taxes, of which the labourer pays his full proportion, there are many others on which he pays a smaller proportion, as the taxes on foreign spirits, on houses, windows, timber, cheese, &c., stamps, and the post office. If the proportion of the last mentioned taxes which is paid by the labouring classes be considered equal to that proportion of the tabular list which is not paid by them, then the amount directly levied on those classes may be estimated at about £22,000,000. By

* M'Culloch's Stat., II., p. 517.

the census of 1831, those classes in Great Britain amounted to about 3,000,000,* making the average tax of each labourer 7*l.* 6*s.* 8*d.* a year, or an average of about 6*d.* a day. To the same extent that these taxes enhanced the expense of cultivation by raising wages, would they diminish rents.

To the taxes for the support of government must be added the tithes for the support of the church, where that mode of paying the clergy prevails, since they lessen the difference between the value of the raw produce and its cost of production, to the extent of one-tenth of the gross value of that produce, and consequently are so much taken from the rents of the landholders.

The poor rates also deduct from the profits of land, where there is a general system of providing for paupers. But this species of tax falls upon the other classes, as well as that of the landholder.

* According to the distribution of the population of Great Britain, by the last census, all the common labourers employed in agriculture and other occupations, all male servants, all persons employed in manufactures, retail trade or handicraft, amounted to 3,039,832. This enumeration is admitted not to be founded on authentic data, but an approximation to the truth is sufficient for the present occasion. As the preceding number omits none of the classes of adult males who derive their support solely from the wages of labour, and as it includes many who are supported partly by capital, it probably much exceeds the class of *labourers proper*, and of course proportionally underrates the deduction which should be made from ordinary wages on account of taxation.

In 1812 Sir John Sinclair reckoned the paupers of Great Britain at between one-eighth and one-ninth of the productive classes; but more authentic information on the subject since, makes it probable that after a liberal allowance for the improvement that has lately taken place in the pauper system of England, this estimate was too high. By an official report of Poor Law Commissioners in 1836, there were 87,202 paupers relieved in fifteen counties, containing a population of 1,447,225,* which gives a proportion of little more than a sixteenth, or about six per cent.

As this provision for the poor is mainly the consequence of a want of adequate employment for labour, it undergoes considerable fluctuation, according to the price of wheat,—the number of labourers who are incapable of providing for the support of themselves and their families, being greatest when the price of corn is highest. There was, however, a general tendency in the poor rates to increase, until 1833, since which they have undergone some abatement. In the middle of the last century it amounted only to £689,971, and has been since that irregularly increasing until 1832, when it reached upwards of £7,000,000, which is nearly one-fourth of the supposed rental of England.† It has since declined to less than £5,000,000, rather from an

* M'Culloch's Stat., II., p. 648.

† This is now estimated by Mr. M'Culloch at £29,500,000. *M'Culloch's Statistics*, Vol. II., p. 532.

improvement in the poor laws themselves, or in their execution, and a fall in the price of corn, than a diminution of paupers. The great number of this class indicates the low rate of real wages, and the increasing difficulty which the labouring classes experience of obtaining employment and subsistence, so that only the more industrious, skilful and thrifty portion of it are secure of an adequate maintenance for themselves and their families.

Such are the circumstances which tend to raise or to lower rents. Some of them in benefiting the class of landed proprietors do at the same time benefit the other classes, but others benefit the land-owners at the expense of the rest. Of the first description are all improvements in husbandry, whether in its science, practical skill, or machinery; whatsoever in short either increases the product of the soil or lessens the cost of cultivation benefits every portion of the community. Of the other description are whatsoever raises rents by lessening the wages of labour, whether it increase the number of labourers, as by lessening the prudential restraints on marriage, and lowering the ordinary standard of comfort, or raise the price of raw produce, as by prohibiting the importation of foreign corn. The difference may be more briefly thus stated: Whatever tends to increase the population of a country, tends in the same degree to increase rents, and if it produces this effect without raising the price of corn, as by improved husbandry, it

benefits all classes; but if the rise of rents is accompanied with a rise of raw produce, that benefits the landlord at the expense of the other classes.

There are some facts in the history of prices in Europe that may seem at first to be in conflict with the leading principle in the theory of rent here maintained, (to wit, that by the progress of population the price of raw produce has a constant tendency to rise, and that of labour to fall,) which merit our consideration. One of these facts is that although rents have been steadily rising in most parts of Europe, especially in England, of which we have the fullest and most accurate information, there has not been a correspondent increase in the price of corn.

In estimating the prices of corn and labour in distant periods, there seems to be great discrepancy among English writers, and the subject has much inherent difficulty. But as we approach the present time, the data are more copious and authentic. Our remarks will, therefore, be confined to the last two centuries.

According to Adam Smith,* corn was somewhat higher in the sixty-four first years of the eighteenth century, than in the sixty-four last years of the seventeenth century. In the first of these periods, that is from 1636 to 1700, the average price of the quarter (then containing nine bushels) was 2*l.* 11*s.*

* *Wealth of Nations*, I., Chap. II.

$\frac{1}{3}d.$, which is only 1s. $\frac{1}{3}d.$ dearer than it had been for the average of the sixteen years, from 1621 to 1736; and this small difference is more than accounted for by the effect of the civil war, in discouraging tillage; of the bounty of the exportation of corn in 1788; and of the debasement of the coin about the same period. In the last period of sixty-four years, from 1700 to 1764, the average price was only 2*l.* 0*s.* $6\frac{1}{2}d.$, shewing a fall in price of 10*s.* $5\frac{1}{4}d.$, a part of which difference Smith attributes to the rise which he supposes to have taken place in the price of silver. But this opinion is contradicted by the fact that the price of corn again rose in subsequent years, and by the higher authority of Baron Humboldt, who thinks that silver continued to fall in price through the whole of the eighteenth century. Here then, is a fall in the price of corn through a period of one hundred and twenty-eight years, instead of the rise which the theory of rent that has been maintained supposes. There is no difficulty in reconciling this fact with the preceding theory of rent, if we can suppose that population increased more slowly during the one hundred and twenty-eight years, than agricultural improvements, because the ordinary standard of comfort with the nation at large became somewhat higher during the same period.

As to the population, we have abundant evidence to show that it experienced but a moderate increase during the period in question. It appears from *data*

furnished by the several Population Acts, that the population of England in 1700 was 5,134,516, and in 1760 it was 6,479,730, shewing an increase of little more than 26 per. cent. in sixty years.* But as in the first ten years there was an actual decrease, it furnishes some ground for presuming that the increase in the preceding sixty-four years was at a yet lower rate. We have, however, yet better grounds for that inference. At the time of the Conquest, A. D. 1066, the population of England is estimated at 2,150,000; and it being 5,134,516 in 1700, its increase was only 3,000,000, or 150 per cent. in that term of 634 years. And although it is not to be supposed that the increase was either steady or uniform throughout that long and eventful period, yet we have no satisfactory evidence that it was greater in the latter part of it than the average throughout the term. Assuming then the increase for the sixty-four years before 1700 to be at this average rate, it would not exceed 10 per cent. We may feel less hesitation in admitting so great a difference between two equal periods in adjoining centuries, when it is recollected that the population, as exhibited by the censuses actually taken, and the data they afford, experienced as great an increase in the *half century* immediately preceding the year 1830, as in the *seven preceding centuries*!†

* M'Culloch's Statistics, I., p. 406.

† Thus at the Conquest it was 2,150,000. In 1780 it was 7,814,827, and in 1830 it was 13,840,751.

With so moderate an increase of numbers as the preceding facts lead us to infer, from 1636 to 1764, a small increase in the agriculture of the country during the same period will serve to account for the fact that raw produce did not in that time experience any rise of price, but rather a slight decline. And we may presume improvements in husbandry to the requisite extent, not only from the general progress of knowledge and the useful arts during that interval, but also from the single fact that turnips, clover and potatoes were all introduced into England during the 17th century.

It may be objected to this explanation that the supposed improvements in agriculture, and consequent increased productiveness of the soil, would have led to a greater increase of population. They certainly have that tendency, but if at the same time one of the consequences of the growing prosperity of the country should be to raise the standard of ordinary consumption among the people, then a slowly increasing and even stationary population may consist with a more productive agriculture. It is owing to the unusual lowness of this standard in Ireland, that its population has become denser than that of Great Britain, and that it has increased most rapidly in those parts of the country that are least improved.*

In this way we may satisfactorily explain why

* M'Culloch's Stat., I., p. 441.

the price of raw produce has not always continued to rise in Great Britain with the increase of population, and why that increase has not kept pace with the increase of the means of subsistence, though it is admitted that they are deviations from the ordinary course of affairs in the progress of society, and from that which has been strikingly exhibited in the subsequent history of the same nation. Thus though the population of England increased from 5,066,337 in the year 1700, to 9,187,176 in 1800,* showing an increase of nearly 79 per cent. in the century, the price of corn had increased from 2*l.* 2*s.* 11*d.* per quarter, (the average price of ten years from 1695,) to 2*l.* 14*s.* 3½*d.* per quarter,† (the average price of ten years to 1795,) shewing an increase of only 12½ per cent. Or, if we compare the average price of the first half of the century with the last, we find it to have risen from 1*l.* 17*s.* 11½*d.* to 2*l.* 2*s.* 9¼*d.*, indicating a greater rise, (25¾ per cent.,) but far short of the increase of population. It further appears that the price of corn was lowest about the middle of the century. From that time, however, to the year 1825, the rise in the price of raw produce has accompanied the increase of population with some regularity, and the correspondence would have been yet closer, but for the increasing importations of grain. The average price of wheat per quarter, at

* M'Culloch's Stat., I., p. 406.

† Encycl. Brit., Napier's edition, Part XXVIII. p. 356.

Windsor market, in each succeeding term of ten years, from 1755 to 1825,* was as follows:

Ten years to 1755	17.	1s.	2 $\frac{1}{4}$ d.	per quarter.
" 1765	1	19	3 $\frac{1}{4}$	"
" 1775	2	11	3 $\frac{1}{4}$	"
" 1785	2	7	8 $\frac{1}{2}$	"
" 1795	2	14	3 $\frac{1}{4}$	"
" 1805	4	1	2 $\frac{1}{2}$ †	"
" 1815	4	17	6†	"
" 1825	3	18	8 $\frac{1}{2}$	"

There is another fact in the statistical history of England, which may seem to contradict our theory of rent. It is that labour has not fallen in value with the rise of raw produce; on the contrary, the money price of labour has had a concurrent and an almost equal rise. Besides the fluctuations which the wages of labour experience at different times, they vary so greatly at the same time in different places and in different species of employment that there is much inherent difficulty in arriving at any thing like an accurate scale of average prices, from data so multifarious. There is, however, enough to satisfy us that the money price of labour has risen considerably in England within the last fifty or sixty years. Supposing Arthur Young's estimate of the

* Encycl. Brit., Napier's edition, Part. XXVIII. p. 356.

† From these prices some deduction must be made for the depreciation of bank paper then not convertible into specie.

rise to be as much entitled to respect as any other, and taking it for our guide, we find the rise of labour, from the early part of the eighteenth century to the year 1810, to be in the proportion of ten to twenty, or to have doubled in price.

But the real wages of labour, as Adam Smith properly remarks, is not the amount of money that is paid for it, but the quantity of the necessaries and conveniences of life that are given for it; and the same estimate of Arthur Young shews that while the nominal wages of the labourer had experienced so great a rise, his real wages had fallen; for in the same time that labour had risen from 10 to 20, that is 100 per cent., wheat had risen from $7\frac{1}{2}$ to 20, equal to 158 per cent., and butcher's meat from $7\frac{1}{2}$ to 20, equal to 166 $\frac{2}{3}$ per cent.; so that it would require about one-third more labour to purchase a given quantity of raw produce in 1810, than it would have required to purchase the same quantity a century ago.

Nor does this difference show the whole extent to which the labourer's wages have been diminished, for during the same period more than half the articles of his ordinary consumption have been subjected to an increasing weight of taxation, so as to amount perhaps to the nominal rise in his wages, and supposing this the case, his real wages have been stationary, while raw produce has risen 160 per cent. Arthur Young estimated the price of labour in England about the year 1770, at 7s. 6d.

a week; and twenty years afterwards, at 8s. 5d. a week. Mr. Senior has recently estimated it from 10s. to 17s., average 13s. 6d.; and the increase of taxation on the articles consumed by the labourer has probably been nothing short of the difference between the highest and lowest of the preceding rates of wages. The annual revenue at this time is more than five times what it was in 1770,* so that four-fifths of what is now paid by the labourer in indirect taxes, may be properly considered as entering into his ordinary wages. Against this deduction from the remuneration which he receives for his labour, the fall in manufactured goods furnishes some set off; but the effect of this ameliorating circumstance it is believed has been rather to increase his consumption of such articles, and of course to add to one class of his comforts, than to lessen the growing difficulty of obtaining meat and bread.

If the preceding facts are not deemed sufficient to account for the rise in the money price of labour in England, while population has been increasing and raw produce rising, then a further reason may be derived from the extraordinary wealth and prosperity of that country. By means of her consummate skill in the most useful manufactures, her immense capital, her cheap steam power, her colonial monopoly, her facilities for foreign commerce,—

* The public revenue of Great Britain in 1771, was £9,650,000, and in 1834, it was £50,633,545.

all her means of opulence physical and moral, she is able to obtain, in exchange for the labour of her own people, a much larger amount of the labour of other countries, and thus makes them willing tributaries to her wealth. If she does not derive the full benefit of her position in procuring the cheaper food of other countries, she does as to a considerable part of her own dominions; and by her great and increasing importations of grain from Ireland, she has either prevented the greater rise of corn that must have taken place, or has attained a greater increase of population without a correspondent increase of privation. Thus it is that the denser population, and smaller degree of capital, industry, and skill of the Irish compel them to subsist on potatoes, while the higher priced products of their soil are consumed by their fellow subjects in Great Britain who are richer and better able to pay for them.

The fall in the price of wheat since 1818, is attributable to the resumption of cash payments by the Bank of England, and the consequent rise in the value of the currency. Something too must be set down to the rise in the value of the precious metals in Europe and America, in consequence of the diminished production of the American mines, and the increased consumption of them by reason of the increase of population and of wealth.

The disturbing causes that have been mentioned are, however, temporary, and in England as well

as in every other part of Europe where the progress of industry and of society is not too much fettered, we shall see raw produce continue to rise and labour continue to fall with the further increase of numbers. This change in the relative value of raw produce and labour will continue until the labourer is brought to that minimum point of cheap subsistence which will support life and keep up the population to the same level, unless indeed the progress of population should be previously arrested by a more general diffusion of prudence, providence, and the pride of independence among individuals than we have yet seen, and by the operation of such other checks as the self-preserving faculty of communities may suggest. And although none but the most gloomy Malthusian will pronounce such a result to be morally impossible, yet it must be confessed that it rests on a better constitution of manners and laws than the world has yet exhibited, and consequently is rather to be hoped* than confidently predicted.

Having now fully developed that theory of rent which seems best reconcileable with the history of human society, and examined those systems to which it is opposed, particularly that to which Mr. Ricardo, though not the founder of it, has done more than any other writer to give celebrity, and to recommend in this country as well as his own,

* The author has always been of opinion that such hopes may not irrationally be entertained, on grounds which he has on a former occasion noticed, and may state more at length.

we will briefly state the doctrine we support, together with our principal objections to the system it controverts.

We consider rent to be the necessary result of man's instinctive desires and of the physical limits to their gratification. He must have food, it cannot be procured without labour, and he is of course impelled to use the requisite efforts to procure it. His numbers have a tendency to increase so long as he can procure the means of subsistence. These can be procured only from the earth, whose fertility he can but partially increase, and whose limits he cannot increase at all. So long then as men continue to multiply, they are entitled to a smaller portion of the products of the earth, until it is reduced to the smallest which will support life.

Now it so happens that one portion of mankind possesses this agent of production, and another does not. Those who do not must then give their labour or the products of their industry or skill, in exchange for the products of the soil. They give as little as they can, but the growing numbers of rival demanders compel them to give more and more of their labour, and the same competition compels them to exchange more palatable food, that is more difficult of attainment, for that which is less palatable, but is raised with more ease and in greater abundance. It is in these necessities of man and the fixed laws of his physical condition, that we see the origin and the progress of rent.

If the preceding theory be correct, the following principles of rent, wages and profits, which the Ricardo school have ingeniously combined into one system, are erroneous.

1. In considering the diversity in the *quality* of the soil, as well as its limitation in quantity, as one of the causes of rent.

2. In ascribing the progressive rise of raw produce and of rents to the greater amount of labour expended on the soil last cultivated, and not to the *greater cheapness of all labour* from the increase of population.

3. In maintaining that when raw produce rises, labour also rises.

4. In considering the means of human subsistence a fixed quantity, or near it, instead of its admitting of such gradations that a labourer may be supported by one-fifth of the soil once required for subsistence.

5. In maintaining that rents may be inversely as the fertility of the soil, if suddenly increased or diminished.

6. In supposing the *minimum* wages of labour to be the quantity required to support a family, and that a less quantity may not suffice, to keep population stationary.

7. In regarding profits as dependent on wages, and insisting that they rose or fell inversely as wages.

8. In denying that the accumulation of capital causes the fall of profits.

CHAPTER XI.

THE DIFFERENT KINDS OF RENT.

Where the rent, profits of capital, and wages are separate. Where rent and capital are united. Metayer rents. Where rent, profits and capital are received by the same individual. Cultivation by free and slave labour compared.

WE have hitherto considered rents or the profits of land, as they exhibit themselves in a country where the proprietor of the soil is distinct from its cultivator, as is generally the case in England, for the purpose of giving a separate consideration to the profits of land, apart from those of labour or capital. But, however the soil may be owned or cultivated, the principles which determine its profits are the same. They are the same whether, as in America generally, the cultivator and the owner are the same individual; or, as in the Southern States, the proprietor of the soil has also a property in the labour which cultivates it, so that their united product assumes the form of profits of capital. They are

also the same whether the government be the proprietor of the soil, as in some parts of Asia, and the people its tenants, or whether the rent be a fixed sum, or be a proportional part of the produce.

But as these different kinds of rent have their several characteristics, and very differently affect the wealth and prosperity of the countries where they prevail, they deserve some separate notice. Disregarding minor diversities, they may be all arranged under four heads.

1. Where the rent is separated from the profits of labour and capital, and is a fixed sum in money, whether it be paid by a farmer, who cultivates the land by hired labourers, as in England, or who cultivates it by his own labour, as the cottagers in Ireland, and whether it be paid to the government, the general proprietor of the soil, as in India, or to the private landholder, as in Europe, and occasionally in the United States.*

2. Where the rent is blended with the profits of capital, and the proprietor cultivates his land, as in Russia and Poland, with the labour of *serfs*, who are bound to work for him so many days in the week, or so many in the year, or to cultivate certain portions of the soil for his exclusive benefit. The rents yielded by lands which are cultivated by

* This class comprehends the kinds of rent which Mr. Jones, in his Essay on the Distribution of Wealth, designates as *Farmers' rents* and *Cottager rents*.

the *serfs for their own support*, do not differ from those of the first class, except that they are paid in labour instead of money.

3. Where the rent is united with the profits of capital and labour, and their joint product is equally divided between the proprietor and the labourer, as in the *Metayer* rents of France, and in similar modes of renting occasionally in the United States.

4. Where the rent is in like manner blended with the profits of capital and the wages of labour, which are the property of the same individual, whether the proprietor cultivate the land himself or by slaves, as is the case with nineteen-twentieths of all the lands in the United States.

In all these species we see the operation of the same general principles. In all, land yields a rent as soon as it is appropriated, and the demands of an increasing population are such that the products of the soil exchange for more labour than it has cost to produce them. And in all of them the rent or profits of the land increase in proportion as the same soil is made to support a greater number, whether this effect is brought about by the increased productiveness of the soil, or the more frugal consumption of the labourer.

Although the separation of the profits of land from the profits of capital and labour is one of the earliest forms of rent, yet it is at first of the description of *cottager* rents, in which the farms are small and the farming stock and utensils are furnished by

the immediate cultivator; and it is only after a nation has made a considerable progress in wealth, and when there has been great accumulation of capital among the industrious classes, that the three species of profit are received by three several individuals. But wherever such a distribution has taken place, there are many benefits attending it. The business of agriculture being then carried on by a class of men who devote their time and thoughts to it exclusively, it is likely to be managed with more skill and economy than if it was, as it is with us, blended with other occupations and pursuits. The mere farmer* can give a more unremitting attention to the multifarious duties of husbandry, than many of the proprietors could do, and he is likely to be far superior to the mere labourer in judgment and theoretic knowledge. If, moreover, the neat profits of a farm are influenced by its size, as is probable, and there are certain limits within which its gains are greater than they would be if it was either of greater or less extent, then in a country where the system of farming prevails, the farms have an obvious tendency to become of that size which yields the greatest profit. It seems also not improbable

* It may not be unnecessary to mention to some of my readers, that this term is used in the English and French sense, to signify one who cultivates the land of which another is the proprietor. It is often used in the United States to designate a grower of grain, in contradistinction to the term *planter*, which is appropriated to the grower of tobacco, cotton, or sugar.

that the labouring class would be more prompted to industry, thrifty management, and a salutary foresight when they were dependent on wages, than when they had an ownership in the soil for even a few years. We are at least led to this inference from the great inferiority of the Irish cottager to the English or Scotch labourer, in these virtues. It is, however, only in a country at once rich in accumulated capital and densely peopled, that the profits of its land will assume the form of farm rents. To have the benefit of this mode of renting land, it is necessary that the practice of long leases should prevail. Where the land is let from year to year, for short terms, the tenant will be loth to make any improvement on it, the benefit of which does not accrue wholly to himself. He of course will expend nothing in fencing, building, ditching, or draining, except the little which he may find indispensable or profitable within his term. But he has a direct interest in wasteful and exhausting processes of culture. It is only by a long lease that he can have the same interest as the landlord in a permanent improvement. The difference between agriculture in England and in France has been imputed by writers in both countries to the difference of their practice in this particular.

In the United States, where lands often experience such a rapid increase of value—where most proprietors look forward to the very probable chance of their wishing to make sale of their lands, and

most tenants to the expectation of being owners of land themselves, long leases are found inconvenient, and unsuited to the present circumstances of the country. So long as this state of things continues, we must submit to the inherent disadvantages of leases from year to year.

Wherever the second species, or *serf-rents* prevail, there will always be found an authority vested in the landlord to compel the labour that is his customary due, which thus makes the condition of the serf that of a qualified servitude, and consequently partaking of the aversion to labour, unskillfulness, and improvidence incident to that condition. These disadvantages have become so obvious in Russia, that the personal services of the serfs have been commuted for a fixed sum, the *obroc*, which under certain moderate restrictions they may earn when and how they please, so that the change has there converted rents of the second class into those of one of the other classes.

In the third class, or *Metayer* rents, the land is cultivated in partnership between the labourer and the proprietor, the latter advancing the stock and implements of husbandry, and the former the management of them. The neat profit which land yields under this system of cultivation is far less than where the lands are farmed as in England. The farming stock of every kind is not likely to be so carefully preserved or so prudently managed as if it were in the charge of the owner. And as the

landlord and the tenant receive but half the profit of what they severally contribute, the capital of the one and the labour of the other are commonly less than they would be if the profits were undivided. These evils have been long acknowledged in France, yet so difficult is it for a people to change their habits, that this injurious system still prevails in one-half of France, and it is only in the neighbourhood of the large towns that the greater accumulation of private wealth has concurred with the obvious defects of the system, in substituting for it the same mode of farming lands as prevails in England.

There are occasional instances of this mode of renting land in the United States, especially in New England, but it is believed that it is rarely adopted there, except where the proprietor exercises a direct and vigilant superintendence over the operations of the tenant.

As to the fourth class of rents, in which the profits of land, labour and capital are received by the same individual, there is a great difference both in the neat gain and the gross product, between cultivating the land by freemen and by slaves. When the proprietor cultivates the land himself or by hired free labour, the profit is greater than in any other mode, except in that of a separate class of farmers, and greater than it is even in that where long leases do not prevail. Here the cultivator has the strongest incentives to industry, to a liberal

outlay of capital, and to prudent and thrifty management. This is the prevalent, almost universal mode in all the states of the Union, north of Delaware and Kentucky, and their rapidly increasing wealth, together with the comparatively high price of their lands, attests its superior benefits.

But where land is cultivated by slave labour, as is principally the case in the southern and southwestern states, there the profits are very irregular, and though occasionally very large, are sometimes so small that if from the gross product enough be deducted to pay the ordinary profits of capital and wages of labour, there will be nothing left for rent; or, if the land, slaves, and farming stock be all considered as capital, the annual product of the land, after deducting the cost of cultivation, will often be not more than half the ordinary interest of money. Where the proprietor trusts the management of his lands and slaves altogether to agents, or where, even giving his personal superintendence, he is indolent, inexperienced, or unskilful, his returns are very small, and sometimes little more than the increase of his slaves, which may be set down at three per cent. a year. But where he is judicious and industrious, and lives on the land he cultivates, his annual gains are yet greater than the average profits of lands cultivated by free labour. Persons of this character may be considered as the fortunate adventurers in the lottery of slave husbandry, and

the prizes they draw are the higher for the blanks drawn by their unthrifty neighbours.

In estimating the profits of land in slave countries, there is an important item which is often overlooked, that is, the subsistence which has been afforded to the family of the proprietor as well as the means of a liberal hospitality. If these be taken into the account, and the land has credit for the bread, meat, fuel, hay, butter, milk, garden vegetables, and fruits, which are consumed on it by the proprietor and his guests, an estate which may appear to yield nothing beyond the ordinary profits of the capital expended, and a fair hire for the slaves, does in fact yield a good rent. This part of the returns of land unconsciously enters into its price, which it considerably enhances.

The relative values of labour and raw produce, being dependent on their relative supply and demand, are the same in countries cultivated by slaves and by free men, though they are both received by the same individual. But when the whole land is occupied, there is this difference between the two cases. If the slaves remain attached to the soil, the value cannot increase as much as in free countries, for when the whole of the fertile land, which is not indispensable for fuel, timber, and pasture, is taken into cultivation, a further increase of the slaves must lessen the surplus after deducting their subsistence. Such increase will indeed add to the gross product of the land, but as the addition will be in a dimin-

ishing ratio compared with the increase of numbers, the surplus earned by each labourer will be less and less, and finally, if the slaves should continue to multiply, they would in time be sufficient to consume the whole product of the land, and leave no surplus whatever. During this progress the neat profit of the land must decline.

If, however, more slaves be not retained on the land than are required to cultivate it to advantage, and the excess be allowed to seek employment abroad, as the serfs in Russia, or be hired out in handicraft or manufacturing employments, as is often done in all the slave holding states, or be transported to places where there is more unoccupied fertile land, as is constantly taking place from Maryland and Virginia to the south-western states, in either of these cases, the rents or profits of land will continue to advance with the fall of slave labour, or the increased productiveness of the soil. But as the consumption of the slave was originally less liberal than that of the free labourer, it does not admit of as great reduction, and consequently the labour of the slave may reach its *minimum*, or a bare subsistence, with a less proportional reduction than is required by the labour of a free man to reach the same point. But for the migration or transportation of slaves that has been steadily going on from Maryland and Virginia to the south-west, those states, or at least the eastern portions of them, would long since have experienced a considerable

decrease in the profits of their lands and slaves, and many an estate would no longer have afforded a surplus, after maintaining its redundant labour. But the same change of circumstances would have contributed to an improved husbandry, and to the growth of towns and manufactures, as well as have greatly reduced the value of slaves.

CHAPTER XII.

PROPORTIONAL RENTS.

On what circumstances the proportion depends.

Proportion in the United States. Comparative views of rents, the prices of labour, and of raw produce in different states. Evils attending the gradual fall of labour lessened by the appropriation of land.

LAND sometimes rents, not for a fixed sum, but for a proportion of the crop made. The proportion which the rent bears to the gross produce of the land varies from one-fifth or even less to one-half. The principal circumstances which regulate and determine the proportion are:

First. *The comparative fertility.*—It is obvious that a tenant can give a greater proportion of the produce of very fertile than of inferior land; and he would gain more by giving as much as one-half the produce of the best soil, than by giving one-fourth of that which was poor, or by cultivating the poorest land free of rent.

It may be remarked, however, that notwithstanding this manifest advantage of the more fertile soils, it does not unfrequently happen that lands of very different qualities will rent for the same proportion of the produce, and that there is often a customary rate of rent in every district of country which extends to lands of all qualities; and the real difference of product has the effect of giving to the landlord a greater choice of tenants on the best lands, since there is almost as much diversity in tenants as in soils, and the proprietor may be compensated by a more judicious and diligent culture for receiving as rent for his best lands only the ordinary proportion of their produce. There commonly are, moreover, other stipulations which may be added or omitted, so as to vary the real terms of the lease, to suit the varying gradations of soil, such, for instance, as relate to fencing, rotation of crops, draining, and other improvements.*

Secondly. *The comparative amount of capital expended on the land.*—The greater the sum expended by the farmer or tenant, whether it be in manuring, or mode of culture, the larger must be the proportion of the tenant, and the smaller, of course, that of the landlord. It is indeed only where long leases prevail, that tenants are likely to make any expenditure of capital that does not make

* Similar differences are known to exist in the *Metayer* farms of France.

quick returns, but where a farmer can count upon receiving adequate returns within the term of his lease, he has nearly the same inducements to expend capital as the proprietor could have, and it is therefore very liberally expended in a country in which capital is abundant. It is owing to the very expensive mode of culture to which the long leases and high price of raw produce have given rise in England, that the proportional rent in that country is often on good lands as low as one-fifth; and the medium proportion of the whole of Great Britain has been estimated not to exceed that proportion, while in the United States, where the expense of capital is moderate, the average proportion may be about one-third.

Notwithstanding this higher proportion in the United States, the rents of the best lands there are much lower than those of similar lands in England. Thus if the product of their most improved husbandry on the best soil be, as is alleged, 80 bushels of wheat to the acre, and here it do not exceed 30 bushels, then one-fifth of the produce in England (16 bushels) would be one bushel more than one half the produce in the United States, (15 bushels.) If we further suppose what is commonly the fact, that the price is 50 per cent. higher in England, then the money rent in that country, when equivalent to only one-fifth of the produce, would be 60 per cent. higher than in the United States, where it was equivalent to one-half. The proportional rent is different among the different states. In those that have the densest

population, or that have the most fertile soil, the proportion is the highest, that is, from a third to a half of the gross produce. In the southern states, and in parts of the western country, where although the lands are richer the population is much thinner, it rarely exceeds a third, and is often as low as a fourth, especially in the southern states.

With a view of obtaining from authentic sources the present proportion in the United States, as well as of ascertaining whether the relative prices of labour and raw produce accorded with the doctrines of wages and rent here maintained, six queries were, in the early part of the present year, addressed to several members of the last Congress, by the author of these pages, inquiring, 1. Into the proportion of the crop received by the landlord, where land was rented on shares. 2. Whether it varied with the fertility of the land. 3. Whether uncleared land yielded any rent. 4. The average cost of clearing an acre. 5. The average price of day labour. 6. The prices of wheat, Indian corn, beef, and pork.

The inquiries were relative to those states which are cultivated by free labour exclusively, with the exception of Kentucky and South Carolina, and the names of the gentlemen who had the kindness to answer the queries were, Mr. Dana of Maine, Mr. Page of New Hampshire, Mr. Swift of Vermont, Mr. Davis of Massachusetts, Mr. Sprague of Rhode Island, Mr. Niles of Connecticut, Mr. Tallmadge and Mr. Page of New York, Mr. Southard of New

Jersey, Mr. M'Kean and Mr. M'Kennon of Pennsylvania, Mr. Clay of Kentucky, Mr. Ewing and Mr.* — of Ohio, Mr.* — of Indiana, Mr.* — of Illinois, and Mr. Preston of South Carolina. All these gentlemen are no doubt landed proprietors, and most of them it is believed blend agricultural pursuits with their public duties.† From careful examination of the answers to the first four queries, it appears that in the New England states, when land is let on shares, as it often is, the ordinary proportion is *one-half* the produce, but that where the whole or part of the profit arises from sheep, cows, and other stock, the proprietor and tenant jointly contribute such stock, which is held as joint property, and divided when the lease expires. That where the land is of unusual fertility, or its situation is particularly advantageous, (as a meadow near a town,) the proportion received by the landlord is yet greater, and that in some cases of meadow land it has amounted to two-thirds. The rate seems to be stationary, or nearly so.

In those states uncleared land yields no rent or profit except for its timber, and occasionally for the sugar maple, or for pasturage. The timber, or wood for fuel, is in some places a considerable source of profit.

Clearing land of its timber in Maine, New Hamp-

* These answers were forwarded with the rest, and were unquestionably given by members from those several states, but not being signed, their names cannot be given.

† See Appendix.

shire and Vermont, costs from five to ten dollars an acre, and even more. The ordinary price is ten dollars. *Girdling* is no longer practised.

As to the middle states, the landlord's proportion varies in New York from *a fourth* to *a half*, and even *two-thirds*.* It is generally *one-half* in New Jersey, and from *a third* to *a half* in Pennsylvania. Uncleared land yields no rent.

In the western states the landlord's proportion is generally about *a third*, except in Ohio, where it has increased to one half. Uncleared lands in some parts of Kentucky, when inclosed, yield a rent of from one dollar to two dollars an acre for pasturage, and the rent is advancing. The cost of smooth clearing is from five to fifteen dollars an acre; that of *belting* but one dollar.

It further appears that the landlord's proportion does not vary very greatly on fertile lands, among the several states, however they differ in density of population or distance from the best markets, but that so far as there is a variance the proportion is greatest where the population is most dense, and that to a certain point the proportion tends to increase with the population, which implies that there is not a correspondent increase of capital expended in the cultivation, as has been the progress of British agriculture.

* Gen. Tallmadge states the highest rate as high as *three-fourths*, but this, it is presumed, applies only to a very few anomalous cases.

As the answers to the two last queries respecting prices furnish materials for an interesting comparison between the prices of labour and raw produce in the different states, an abstract of those answers is presented in the following table. Wherever various prices are stated in the answer, their mean is given in the table.

STATES.	WAGES.		PRICES OF RAW PRODUCE.			
	Where the labourer is found.	Where he finds himself.	Wheat	Indian	Beef	Pork
		Cents per day.	Per bushel.	Per bushel.	Per pound.	Per pound.
Maine,		58½	\$1 75	\$0 75	\$0 4½	\$0 8
N. Hampshire,		62½	1 37½	67½	3½	6
Vermont,		67	1 25	50	3½	5
Massachusetts,		67		92½	4½	6
Rhode Island,		83		90	5½	8
Connecticut,		92½	1 50	75	5½	6½
		4 30½	5 87½	4 50	27	39½
Average,		71½	1 47	75	4½	6½
New York,		1	1 25	62½	6	5
New Jersey,		87½	1	50	3½	5½
Pennsylvania,		1	1 12½	81	8½	5½
		87½	1	62½	4½	6½
		75	1	42½	3	5
		4 50	5 37½	2 98½	25½	27½
Average,		90	1 07½	59½	5	5½
Kentucky,		75	77½	25	3½	2½
Ohio,		75	87½	25		
			1 07½	37½		
Indiana,		70	87½	37½		4½
Illinois,		1	50	20	3	3
		3 20	4 10	1 45	6½	10½
Average,		80	82	29	3½	3½

By taking the average money wages of day labour, in each of the three great divisions of the Union, in the preceding table, and turning them into the kinds of bread and meat most generally used, according to the average prices in those divisions, we can see how they differ when estimated in raw produce. Thus:

Wages of day labour estimated in

	Money.	Wheat.	In. Corn.	Beef.	Pork.
In New England,	71½	2 pecks.	4 pecks.	15½ lb.	11 lb.
The Middle States,	90	3½	6	18	16½
The Western States,	80	3.9	11½	24	23

It appears by the preceding tables that raw produce is highest where population is most dense, and that the real wages of labour have diminished with the increase of population, they being higher in the middle states than in New England, and yet higher in the western than the middle states. And although money wages are higher in the latter, yet that must be attributed to the greater scarcity of capital and greater value of money as yet in the western states, which influences the prices of all things.

The preceding theory of rent supposes what has always been found to exist—that the land is the exclusive property of a part, and commonly of the smaller part of the community. But the gradual rise of raw produce compared with labour is independent of this circumstance, and would take place

if the land was not appropriated. Let us suppose it was practicable for the land to continue as common property; or that it was divided among the whole community, annually, or at short periods; what would be the consequence of that state of things?

From the tendency of the population to increase, and the necessary condition on which that propensity can be indulged, the share of the land which would fall to each individual would be gradually less and less, until it would finally reach that point when the quantity of land allotted to a family would yield no more than the family of the mere labourer now receives under the present system of exclusive property, that is to say, in a densely peopled country, barely sufficient for its subsistence, as is now the case with the cottagers of Ireland. The privations and discomforts of poverty then would not thereby be lessened, but there would be this super-added evil. There being then no class of wealthy proprietors, as now, who might be also liberal consumers, the population, supposing the husbandry to be as good, would always be nearer the utmost limit it could reach; and, consequently, in case of unfavourable seasons, there would not be that reservoir against want which the wealthy class now furnishes to mitigate the evils of scarcity, by lessening its own consumption; when, of course, the evils would be nothing less than the horrors of famine,—and when, moreover, this direst of national calamities would

be of more frequent recurrence. Some symptoms of this evil may be already perceived in Ireland, where the general consumption of the cheapest of all wholesome food—potatoes—and the absence of so many of her richest landholders, have at once augmented her population, and taken away one of the defences against scarcity, in the case of a short crop, the consequence of which is, that when such a mischance betides them, it is attended with a degree and an extent of suffering from want of food that is known in no other part of the civilized world.

Nor would the cultivation of the land, in such an equal distribution of it, be either as economical or as productive as at present, when it is or may be conducted by a class of experienced and skilful farmers, having the full benefit of all those useful tools and machines, which small proprietors cannot procure, and some of which can be used to advantage only on large farms.

The well being and even the safety of society is, therefore, clearly on the side of the present condition of things, in which the land is the property of one portion of the community, and the other portions have to rely on their capital, or industry—the fruits of their past or present labour—to procure their just share of the products of the soil, which we have seen to be *directly* according to its fertility, the kindness of the seasons, and agricultural skill, and *inversely* according to the density of population. Nor could we alter this distribution with-

out incurring far greater evils than we prevent. All that can be reasonably required from social regulation is, that every one should be free to place himself in one class or the other, according to his means and his inclination, and to vest his capital in land, or to turn his land into capital as suits him best. In this way the soil of every country will be likely to fall into such hands, and to be distributed in such portions as will yield the greatest product, and thus enlarge that fund from which all classes derive the means both of support and enjoyment.

APPENDIX.

THE six queries addressed to Members of Congress, and referred to in page 171, were in the following words.

1. Where land is rented in your state for a proportion of the crop, what is that proportion, and is the rate progressive?

2. Does the rate vary with the quality of the land?

3. Does uncleared land yield any rent?

4. What is the average cost of clearing an acre of forest land? What, when the trees are *belted*? [or *girdled*?]

5. What was the average price of day labour, in the country, previous to the last year, [1836,] when the labourer is found, and what, when he finds himself?

6. What are the average prices of wheat, Indian corn, beef, and pork, in ordinary years?

The author has thought it better to give the answers to these queries at length, in the language of their respective writers, not only for the sake of satisfying the public with the accuracy of his abstract of their contents, but also because they convey much valuable information to the statist and political economist.

The answer of the Hon. Mr. DANA, Senator from *Maine*, as to the three western and oldest counties of the state.

To the 1st query. One half—each party paying half the taxes; and finding half the seed. But few farmers who do not own farms. This rate or proportion has not varied much in thirty years.

2. It does. Very good tracts may be rented for two-

thirds or three-fifths of the crop, but the general rule is as stated above.

3. Wood, fencing, and timbers of various kinds are taken from it, for various purposes.

4. The average is about \$10 per acre—sometimes much more and sometimes less. There is no land of the last description cleared in the three western counties of the state.

5. When found, the lowest price is 3 shillings per day, or \$11, \$12, or \$13 per month for the six summer months. When not found add \$1.50 or \$1.75 per week; but in harvest time a good hand can earn \$1 or \$1.25 per day.

6. Wheat \$1.50 to \$2 per bushel. Corn 75 cents—beef 4 to 5 cents per lb.—pork 7 to 9 cents.

The answer of the Hon. Mr. PAGE, Senator from *New Hampshire*.

1st. Farms are usually rented on shares. The tenant doing all the labour and paying half the grain, pork, butter, cheese, wool, &c., each party owning half stock, cows, &c.

2. It does for those in high cultivation, the tenant pays more than half on some of the above items.

3. None, unless some instances when covered with the sugar maple.

*4. Clearing and fencing from \$8 to \$10 per acre—*belting* is not practised, but all felled and burnt off.

5. Fifty cents in winter, 75 cents in summer, except haying or harvesting, usually \$1, and be found. Board from \$1.50 to \$1.75 per week.

6. Wheat from \$1.25 to \$1.50 per bushel. Corn from 60 cents to 75 per bushel—pork 6 cents—beef 3 cents to 4 per lb.

P. S. These were the prices in former years. Grain, &c. 50 per cent. above these prices now, 1837.

* In many places the wood will pay the expense of clearing. The above estimate is for clearing where the wood is of no value.

The answer of the Hon. Mr. SWIFT, Senator from *Vermont*.

1. In ordinary cases one-third. Where farms are leased and stocked by the owner, profits are equally divided.
2. Best lands and in a good state of cultivation may be leased on the terms of receiving one-half the crop, and for good meadow land the owner often receives two-thirds.
3. There is no uncleared land in Vermont which yields a rent.
4. From \$5 to \$10. Ordinary price \$7.50.
5. The ordinary price is \$10 per month. By the day 50 cents; about 17 cents is allowed for board when the labourer finds himself.
6. Wheat \$1.25. Corn 50 cents. Beef \$3.50. Pork \$5.

The answer of the Hon. Mr. DAVIS, Senator from *Massachusetts*.

1. The parties commonly find equal proportions of the stock and seed, pay equally the taxes, and divide equally the proceeds, both of stock and lands. The tenant has a house free, &c. This is the most usual way of renting a farm on shares.
2. Good lands can always be more favourably rented than poor.
3. All timber or wood lands are of great value, both for timber and fuel. Many persons cut over their lots once in about twenty years, and sell the wood for fuel; others trim them out by cutting all that is decayed. This is the kind of income derived from wood lands.
4. We have so little land brought into cultivation this way, that I am not able to answer the inquiry.
5. Labour has been gradually rising for some years, I think ever since cotton rose in value; for farming purposes we commonly hire for six, seven, and eight months, commencing with the first of April, and the wages of prime men has been from \$14 to \$16 per month. In the winter \$10 perhaps, and found.

6. We have little wheat, not enough to have a standard price. Corn has averaged during the same period from 85 cents to \$1 a bushel. Beef in the fall, fed by grass, from \$3 to \$4.50 a hundred. That which is fed, from \$5 to \$5.50, and extra in the spring about \$6. Pork from \$5 to \$7 a cwt.

Answer of the Hon. Mr. SPRAGUE, of the House of Representatives, from *Rhode Island*.

1. Land is generally rented for one-half of the crop. This rate has been stationary.

2. In some instances it does, owing to location as well as to quality.

3. But little. It is occasionally rented for pasturage.

4. Lands adapted to tillage have long since been cleared in Rhode Island. There is not enough done in this way to establish a price.

5. Fifty cents when the labourer is found, and 83 cents when he finds himself.

6. Indian corn from 80 cents to \$1 a bushel. Beef from 5 to 6 cents a pound. Pork from 7 to 9 cents. No wheat raised of any consequence.

The answer of the Hon. Mr. NILES, Senator from *Connecticut*.

1. The practice of renting land does not prevail extensively in Connecticut. The lands are generally divided into small farms of from thirty or forty to two hundred acres, which are owned in fact by the persons who occupy and cultivate them. Some farms, particularly those appropriated to grazing, are considerably more extensive than two hundred acres. Nine-tenths and probably nineteen-twentieths of the farms are cultivated by the proprietors. The residue are either rented for a stipulated rent in money or a portion of the crop. Of late years the practice has increased of renting farms for a rent in money. When rented for a proportion of the crop, the more general rate is, that the landlord receives one-half the products, if a

grain farm; and the tenant finds the stock necessary to carry on the farm; if a dairy or sheep farm, I believe the common course is, that each party contributes equally to the stock, which is divided when the lease expires. I do not think that the proportion of the crop received by the landlord has increased, but if there has been a change it has been the other way—the value of labour having advanced, whilst that of land has been stationary or fallen since the last war. There are particular localities, which are exceptions to this general truth.

2. In general it does not. But in the neighbourhood of cities and large villages, lands are usually rented on terms more favourable to the landlord, in part from the superior quality of the lands, but more from the higher price of them, and the increased advantages for marketing the crops.

3. With the exception of forests, there are no uninclosed lands, excepting what are called *common fields*, which are subject to certain statutory regulations. These common fields are in fact enclosed lands, so far as respects other adjoining lands. They consist of large tracts, owned by different proprietors, who maintain the exterior fences in certain proportions. The proprietors are formed into a sort of corporation by a general law for the purpose of taking care of and managing the common fields. All lands not thrown into common fields, are required by law to be enclosed by a fence equal to a rail fence, four feet in height. Forest lands produce no rent except the growth of the wood, which of late years is more than the income of lands under improvement.

4. There are no lands in the state where the wood is not valuable, and of course no lands are cleared except by cutting off the wood for the use of the occupiers, or for sale. Trees are never *belled* or *girdled*, as the Yankee phrase is.

5. Labour upon land is either by the month or by the day. When by the month the labourer usually has his board, and lives in the family of his employers in common. He is either hired for the whole year or during the summer and fall, six or

seven months. Previous to 1836, the wages for the year were 10 or 12 dollars per month. When for six or seven months, during the farming season, the wages were from 12 to 15 dollars per month. Some unusually good hands would command wages above these prices. Where the labourer boards himself, his wages were 20 dollars, and sometimes more, per month. Previous to 1836, labourers received from 75 cents to one dollar per day, the employer giving them their dinner only. This difference depends on the season of the year.

6. Since the close of the war prices of all agricultural products have fluctuated greatly. At that period wheat was worth \$2 a bushel, rye \$1.25, Indian corn \$1, beef from \$6 to \$7 per cwt., pork from \$8 to \$10 per cwt. They began to fall in 1817, and continued running down for several years until they reached their minimum, in 1821 or 1822, when wheat was worth but \$1.25, rye 67 cents, Indian corn 45 cents, beef from \$4 to \$5 per cwt., pork from \$5 to \$6 per cwt. From that period they have been rising, although for several years previous to 1835, they were pretty much stationary. Their prevailing price has been, wheat \$1.50, rye \$1, Indian corn 75 cents per bushel, beef from \$5 to \$6 per cwt., pork \$6 to \$7 per cwt.

The price of hay is always fluctuating, it being an article expensive in its transportation: it is worth more in and near our cities than in the country, remote from any market town. Its price depends also much on the supply; when the season is unfavourable, and the crops short, which is usually the result of protracted droughts, in the months of May and June, the price is often one hundred per cent. more than in ordinary seasons. The two last seasons it has been worth from \$15 to \$20 per ton; but previous to 1835, the prevailing price was from \$10 to \$12 per ton, for hay of the first quality; inferior kinds several dollars less.

The answer of the Hon. Mr. N. P. TALLMADGE, Senator from *New York*.

1. The usual proportion is *one-half*, for good farms in well

cultivated districts. It is sometimes only one-third to the tenant—variable according to the soil, condition and circumstances.

2. The quality of the land and circumstances enter into consideration. The rate is variable from one-fourth to three-fourths.

3. Not any rent. Yet the right to cut the wood timber necessary for the use of the tenant, would be a circumstance in the proportion.

4. Very variable, dependent on the nature of the timber and thickness of the wood, from \$15 to \$20. The ashes of hard wood will often pay.

5. Day labour 75 cents and found; \$1 if the labourer finds himself; \$12 to \$16 per month, for eight summer months; \$10 to \$12 for a year, and found.

6. The average prices of wheat, &c. Wheat \$1,25; Indian corn 62½ cents; beef \$6 per cwt.; pork \$5 per cwt.

The answer of the Hon. Mr. SOUTHARD, Senator from *New Jersey*.

1. Half crop. Stationary for some years.

2. It varies a little.

3. None.

4. None cleared except for the sale of the wood and timber, or for cultivation. No precise sum can be fixed.

5. It varies greatly; perhaps 75 cents and found, or \$1 and not found; may be considered as usually the average. Farmers generally hire by the month at a much lower rate.

6. Wheat is worth from \$1 to \$1,25; corn from 75 cents to 87½; beef 8 or 9 cents per lb.; pork 5 or 6 cents per lb.

The answer of the Hon. Mr. M'KEAN, Senator from *Pennsylvania*.

1. Arable and meadow lands of a good quality, in a good state of cultivation, will rent on an average for one-half of the crop, and may be considered stationary.

2. The rent does not essentially vary on account of quality, provided the state of cultivation is equal.
3. Uncleared land yields no rent.
4. The average cost of clearing an acre of forest land, \$10.
5. The average price of day labour in the county (before last year,) when found, 62½ cents; if he finds himself, 87½.
6. The average price of wheat in ordinary years, \$1 per bushel; Indian corn 62½ cents; fresh beef \$4,50 per cwt.; pork \$6,50 per cwt.

The answer of the Hon. Mr. M'KENNAN, Member of Congress from *Pennsylvania*.

1. One-third, two-fifths, and one-half—dependent upon the quality and location of the land, and its contiguity to market. Since the facilities for getting produce to market have increased, grain rents have increased.
2. The answer to this interrogatory is anticipated in the first.
3. Generally uncleared land yields no rent. But in some of the wool growing counties the wood lands are being enclosed for sheep pastures, and these yield some profit. We have no prairie lands.
4. The average cost of clearing an acre of land by belting the trees, is \$4; fencing per acre \$4; land cleared and put under fence for one spring and two fall crops. In the eastern part of the state, where labour, &c. is higher, the cost of clearing, fencing, &c. is greater.
5. Fifty cents when the labourer was found; 75 cents when he finds himself; for a good hand in common farming it has been customary to pay from \$8 to \$12 per month.
6. Wheat is valued at \$1 per bushel; corn from 37½ to 50 cents; rye about 50 cents; beef \$3 per hundred; pork \$5 per hundred. Within the last year the prices have advanced.

The answers of the Hon. Mr. CLAY, Senator from *Kentucky*.

1. One-third, occasionally, (but rarely,) a greater proportion. Progressive, but slowly.

2. The fertile lands command the largest proportion.
3. Lands not cleared, but in grass, (of which in the northern part of Kentucky there are large quantities,) will yield \$1 to \$2 per acre for pasturage, and the rent is advancing.
4. Smooth clearing is about \$15 per acre; belting \$1.
5. Seventy-five cents in the former case, and 50 or 62½ cents in the latter, for common (not mechanic) labour.
6. Wheat 75 to 80 cents per bushel; Indian corn \$1.25 per barrel of five bushels; beef 3 or 4 cents; pork 2½ or 3 cents per lb. These apply to the richest part of Kentucky, north of the Kentucky river, of which Lexington may be considered as the centre, and embracing some counties south of the river.

The answer of the Hon. Mr. Ewing, Senator from *Ohio*.

1. Near the principal towns, especially near the canals, it is one-half. It has heretofore been but one-third.
2. The above is the rate for good land. Land of an inferior quality rents still for one-third.
3. It does not.
4. It is difficult to fix an average. If the timber be heavy, it is almost always girdled, and it then costs from about \$5 to \$15 per acre.
5. Fifty cents per day if found; 75 if he find himself; last year, it has been higher.
6. The average price of wheat for a few years past has been from 75 cents to \$1; corn 25 cents. It is now higher.

The answer of the Hon. Mr. ———, Member of Congress from *Ohio*.

1. Good land draws one-half at present—it was formerly less.
2. Good land will receive a greater proportion than poor.
3. It does not.
4. To clear all the timber off that is less than eighteen inches in diameter, and fence it in ten acre lots, will cost \$6 per acre.

5. Ten dollars per month and found, \$5 more if they find themselves.

6. Wheat worth from 75 cents to \$1.40 per bushel; Indian corn from 25 to 50 cents.

The answer of the Hon. Mr. ———, Member of Congress from *Indiana*.

1. One-third is the usual price.
2. Yes, it does, when money is paid for grain. I think not.
3. Not unless it possesses grass, or a privilege to use timber or firewood.
4. From \$4 to \$5.
5. When found, 50 cents; when not found, 75 cents.
6. Wheat worth from 75 cents to \$1 per bushel; corn from 25 to 50 cents; pork \$4 to \$5 per cwt.

The answer of the Hon. Mr. ———, Member of Congress from *Illinois*.

1. One-third, and that rate is stationary.
2. It does not.
3. It does not.
4. To the first question \$4; to the second question \$2.50.
5. Seventy-five cents when found; \$1 when he finds himself.
6. Corn \$1 per barrel; wheat 50 cents per bushel; pork \$3, and beef \$3 per cwt.

The answer of the Hon. Mr. PRESTON, Senator from *South Carolina*.

1. It is very rarely so rented, scarcely ever. I have, however, known one or two instances of a third. There is no general rule.
- 2.
3. Never.
4. Labour is performed by slaves, not by contract. I have

never known an instance of clearing land at so much per acre.

5. The average hire of a slave, "full hand," from 1804 to 1830, was about \$60.

6. Wheat \$1; corn 75 cents; pork 6½ cents; beef 8 cents. These are the ordinary prices at Columbia.



E R R A T A.

Since this work was printed, the author finds it necessary to make the following corrections. His apology must be, that he was not able to revise the proof sheets.

- Page 16, last line, *for* constituting, *read* which constitute.
- " 19, line 7, *for* competition, *read* competition among the buyers.
- " 19, line 8, *add*, which would continue as long as the deficient supply.
- " 22, line 7, *for* of the community subsisted, &c., *read* of the country appropriated to each of the four modes of subsistence mentioned.
- " 37, line 3, *for* to fall, *read* to rise.
- " 46, line 6, *for* their labour, *read* slave labour.
- " 71, line 13, *for* for, *read* from.
- " 78, line 2, *for* profits, *read* profit.
- " 86, line 18, *for* and, *read* or.
- " 87, line 7, *for* their, *read* these.
- " 88, line 10, *dele* money invested in.
- " 91, line 9, *for* they, *read* their repeal.
- " 117, line 15, *for* takes, *read* would take.
- " 121, last lines, *for* by reason of their resorting, &c., *read* than is required for their cultivation.
- " 126, line 9, *for* stop, and, *read* stop? But.
- " 133, lines 5 and 7 *from bottom*, *for* for, *read* from a farm distant.
- " 134, line 3 *from bottom*, *for* 12 $\frac{1}{2}$, *read* 13.
- " 138, line 17, *for* This shows, *read* There appears to have been.
- " 154, last line of note, insert hereafter before "state."
- " 155, line 14, *for* they are entitled, *read* they must continue to receive.
- " 158, last line, *for* cottager, *read* cottier.
- " 159, line 13, *for* as is the case with, *read* This class comprehends.
- " 162, line 6 *from bottom*, *for* management, *read* labour of managing.
- " 173, line 2 *from bottom*, *for* as, *read* according to what.
- " 174, *dele* second column of table.



